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SUMMARY OF THE
1990 DATA USERS
MEETINGS

KANSAS CITY, MISSOURI
INDIANAPOLIS, INDIANA
WASHINGTON, D.C.

MAY 2, 1990
MAY 3, 1990
MAY 8, 1990

NATIONAL AGRICULTURAL STATISTICS SERVICE
AGRICULTURAL MARKETING SERVICE
ECONOMIC RESEARCH SERVICE

U.S. DEPARTMENT OF
AGRICULTURE
WASHINGTON, D.C.

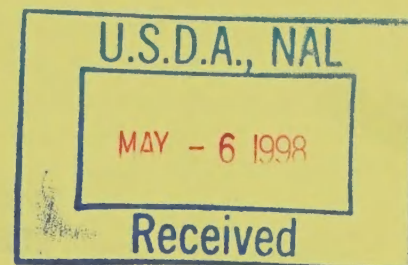


**United States
Department of
Agriculture**



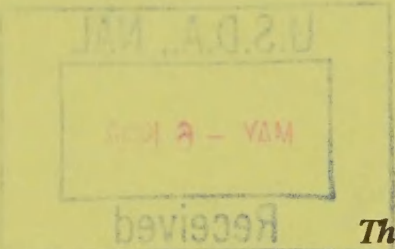
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FOREWORD



This report summarizes discussions at three Data Users Meetings held in May 1990 to discuss USDA economic statistics programs. Also included are written statements which were provided by meeting participants or by individuals who were unable to attend.

Listening meetings have been held nearly every year since 1978 by agencies under the Assistant Secretary for Economics. These meetings have identified a number of improvements which have been incorporated into the ongoing reports and research program.

The 1990 meetings focused on the NASS price program and ERS economic indicators including farm income and cost of production.

The material presented in this report is a summary of the major points presented at each session. No attempt was made to capture verbatim comments. All answers and subsequent discussion based on remarks by a particular speaker are shown by indentations.

* * *

DATA USERS MEETINGS

Kansas City, Missouri

May 2, 1990

GENERAL SUMMARY OF DISCUSSIONS

Prices Paid, Prices Received, and Parity

L. D. Schnacke, Federal Crop Insurance Corporation (FCIC)

With respect to dry beans, do you expect to differentiate any finer than now by classes?

Don Bay - National Agricultural Statistics Service (NASS)

Yes, we are going to start forecasting production of dry beans by class and start making acreage estimates by class. Possibly, some additional breakout by class can be provided in some States if our survey data can support the finer breakdown without creating a disclosure problem.

Jim Johnson, Economic Research Service (ERS)

Could you take a moment to define survey procedures?

Don Bay, NASS

For livestock prices, auction markets, public stockyards, and packers are stratified by volume of receipts and a probability sample is selected. We sample the larger markets and larger packers at a greater rate than the smaller ones. Enumerators visit each selected market and collect price information based on actual receipts.

For grain prices, we try to identify all elevators and grain buyers who purchase from farmers. All elevators and grain buyers are stratified by size, and a probability sample is selected. Enumerators visit the sample buyers and collect data on the total bushels purchased and total dollars paid.

Jerry Saylor, John Deere & Company

How do you handle quality changes of items like automobiles, trucks, farm tractors, and combines, and how do you account for the common way of discounting customers with financial savings?

Fred Thorp, NASS

We do not make any adjustments based on changes in quality. The prices paid index has a slight upward bias because of no quality adjustments. Concerning your second question on discounts, the present program asks for average prices farmers paid after all discounts are taken into consideration.

Joe Trujillo, University of Missouri

You mentioned earlier that the weights have been held consistent since they have been used in farm bills for deficiency payments. Have the 1910-14 weights been held to the same kind of constancy.

Fred Thorp, NASS

The 1910-14 base is required by law. However, the prices paid index is based on weights derived from the farmers' expenditures for 1971-73.

Joe Trujillo, University of Missouri

Given the fact the 1910-14 base period is mandated by two pieces of legislation, and you have to do it, are the 1977 indexes mandated also, or is that left to the Department?

Fred Thorp, NASS

Yes, it is up to the Department to decide when and if they want to change from using 1977=100. BLS now uses a 1984 base.

Paul Justis, Doane Information Services

Which CPI do you use?

Fred Thorp, NASS

NASS uses the CPI for estimating family living expenses.

Joe Trujillo, University of Missouri

Go through the relationship between deficiency payments and prices received. Exactly how does that work?

Don Bay, NASS

Deficiency payments for most commodities are based on the difference between the target price and the higher of either the loan value or the 5-month average market price. The 5-month average price uses the average monthly price received by farmers weighted by the volume of sales for each of the first 5 months of the marketing season. For corn and grain sorghum, the 5 months used are September through January. For wheat and barley, they are June through October.

Donald Peterson, South Dakota State University

When farmers use deferred pricing, how does that affect the timing; when it is delivered or when it is traded?

Don Bay, NASS

It is supposed to be priced when the farmer gets paid, if it is deferred pricing. There is more forward contracting than deferred contracting, but either way its really at the time that the farmer gets paid that it is reported.

John Otte, Farm Progress Publications

I can see where you can pick up the price for the corn that the farmer forward cash contracts to the elevator. Where do you pick up the gains or the losses if the farmer is using futures to enhance his market price.

Don Bay, NASS

We do not pick that up since it is not part of the sales transaction at the first point of sale. Therefore, the profit or loss from hedging in the futures market is not reflected in the market price received by farmers.

John Otte, Farm Progress Publications

Is any of that picked up in the farm income?

Jim Johnson, ERS

In the farm operator income estimates from the FCRS, we do try to measure profit or loss from hedging.

Farm Costs and Returns Survey

John Otte, Farm Progress Publications

How do you select which commodities will be in the Cost of Production Survey?

Jim Johnson, ERS

We are required by law to develop estimates of the cost of production for wheat, feed grains, cotton, and milk. Other commodities included in the cost of production program have been added either because they compete for land or other inputs with the required crops or they are major contributors to total cash receipts from farming.

John Otte, Farm Progress Publications

I am looking at a capital structure chart, and I am going to put on my banker hat. The thought crosses my mind that a farmer lays on my desk the documentation that shows the types of things that you have here, and I say "well, I am sorry but I can't loan you the money." Then he says "but wait a minute, I have two duplexes in town, and I have a little farm in Arkansas, and I have a few stocks." Do you have some way to pick up that non-farm investment and the potential liabilities such as the mortgages against them?

Jim Johnson, ERS

Yes, we do. For the exact reason you raise.

Charles Dodson, Texas Tech University

You listed family living expenses in your sample. Have you been doing that, or was it just started?

Doug Kleweno, NASS

That process was started in 1989 for the 1988 survey. I believe family living expenses will be on the 1990 survey. Prior to 1988, that information was not captured on the FCRS survey, so ERS had to use other sources of information to arrive at estimates of family living expenses.

Charles Dodson, Texas Tech University

How much time does it take a farmer to go through this? Also, what share of them use adequate records to fill it out properly and how many refuse.

Doug Kleweno, NASS

The average interview time is about an hour and a half. Obviously, that will expand as the operation becomes more diversified. The smaller operations take less time. We are working towards efforts to try to reduce respondent burden. We haven't come up with any major, dramatic changes, but we are going through the survey step-by-step and looking at the various sampling methodologies to try to reduce time. Our non-response rate varies by State, but at the national level it is about 15 percent.

Jim Johnson, ERS

In responding to the question about records, and how do we know we are getting data that are as correct and useful as they can be. Let me say, we are concerned about the source of the information given on the questionnaire. We ask questions about whether they have records for their responses to expenditures and other types of data. In the last 2 years, we have looked at how people organize themselves to know the status of

their business. We have looked at what kind of records they have, and how they use them in making management decisions. We are trying to look at how we design questionnaires, so we can give the best information for data analysis.

John Otte, Farm Progress Publications

What happens to the other operations that fall through the cracks? I believe you said that about three-quarters of your contacts end up with usable records and 15 percent of the contacts refuse. What are the primary reasons that you can't use the other 10 percent?

Doug Kleweno, NASS

This would include a combination of circumstances; the selected farm may not qualify as a farm because of annual sales below \$1,000, the operator may have retired or changed the operation to include or exclude other partners, or they may not be able to ever find anyone at home.

John Otte, Farm Progress Publications

Does somebody sit down and review individual records to determine what is out of line and to throw bad records away?

Doug Kleweno, NASS

The Statistician will review the questionnaires for reasonable comparisons. The data are also run through a machine edit to check certain relationships. If there are significant differences or questions, depending on the magnitude, we may go back to the respondent to verify or correct the original data.

Bruce Dixon, University of Arkansas

When you combine the expenditures with the cost of production, you are making a very long questionnaire. If you do that, I think you should get the cost of production first and then go to the expenditures. Also, I would hope you would pass cost of production by the land grant universities. When we looked at the rice questionnaire there were several mistakes.

Doug Kleweno, NASS

We do a very extensive pre-survey development of the questionnaires including getting input from some land grant universities. We also do pre-testing in the field actually interviewing producers.

Brian McManus, Louisiana State University

Do you check your output with university research? For example, on rice do you check that with Arkansas?

Doug Kleweno, NASS

Yes.

Cost of Production

Joe Trujillo, University of Missouri

As a data user, I always like to have long data streams. Are there any plans to putting that back before 1972?

Ron Gustafson, ERS

Yes, we are looking at that.

Dillon Feuz, South Dakota State University

You mentioned that you were trying to get at the cost without government programs. Do you try to adjust for the effect government programs have on the costs of input industries which may be lower or higher as more land is in or out of production?

Jim Johnson, ERS

Not directly. What we try to measure is actual price paid at a point in time. Those are indirect effects that we can not really measure very well, so that is not taken into account.

Glen Grimes, National Pork Producers Council

I noticed with hogs, you picked the two most undesirable years. Is there some way to pick years that are not at the low or high end of the cycles?

Jim Johnson, ERS

We are looking at that, but we can't look into the future and anticipate what kind of year will be encountered. We do try to keep from doing hogs and corn during the same year.

Norlin Hein, University of Missouri

As we are moving into more contract production on hogs, how will that be handled?

Jim Johnson, ERS

That is a good question that applies not only to hogs but to fruit and vegetable industries. In terms of cost of production, we try to measure the total inputs provided in the production of the commodity during the year. It doesn't matter if it was provided by the contractor, the farmer, or the landlord. Then, we try to measure the prices paid for those inputs, so we can account for the full cost of producing that commodity.

Terry Hickenbotham, ASCS

In terms of inputs that go into producing output, does that include off-farm income?

Jim Johnson, ERS

Not in an enterprise cost of production account. What we are trying to measure is the items associated with output, and the prices paid by the farmer for those inputs used in production.

Terry Hickenbotham, ASCS

Leaving out flax and sunflowers is going to leave the modelers in a bad position in terms of cost of production for determining net farm income for payment rates.

Jim Johnson, ERS

It is unfortunate that we do not have the resources to include flax and sunflowers in our cost of production survey.

John Otte, Farm Progress Publications

What is the most difficult to get a handle on? My guess would be allocating for overhead.

Jim Johnson, ERS

Allocating overhead, as you well know, has always been an arbitrary decision. There are a number of ways to allocate interest, overhead, and other kinds of general farm expenses to a specific commodity. You can use the proportion of output or the proportion of revenues generated. We have chosen one that we feel is best, and we have allocated the expenses in the enterprise based on the proportion of the total value of production each enterprise represents.

Norlin Hein, University of Missouri

Is the interest on operating and real estate based on imputed values or reported values?

Jim Johnson, ERS

It is reported interest expense, which is a function of debt. In our cash budget, we try to measure the out-of-pocket expenses associated with that enterprise during the year. We obtained reported total interest paid. We allocate interest expense to the wheat enterprise based on that commodity's proportion of the value of production generated in the whole farm. If wheat generated 40 percent of the value of production on that farm, we would in effect allocate 40 percent of the interest expense to that enterprise.

Joe Trujillo, University of Missouri

How do you handle a major tractor loan? It is not really an operating loan or a real estate loan. It is a machinery loan.

Jim Johnson, ERS

It is assumed to be an operating input.

Bruce Dixon, University of Arkansas

Are you able to break out operating loans?

Jim Johnson, ERS

The amount of debt owed to Federal Land Banks as opposed to debt owed to machinery dealers or PCA is obtained, but we don't know the specific purpose of the loan. Now we can make some assumptions about what the loan was actually for, but that is a fairly rough estimate at best.

Tom Morgan, Sterling Research Corporation

Do you feel that it is more accurate to measure the actual fertilizer applied rather than just estimating what is spent on fertilizer?

Jim Johnson, ERS

Yes, we like dealing in physical quantities as it gives us the opportunity to check reported data with universities and others in terms of physical inputs that are used. We have found application rates change slowly, but prices change each and every year. We feel fairly comfortable about the technical relationships we have in our data, which allow us to adjust for the prices paid for the inputs annually, even though we survey only every third or fourth year.

Glen Grimes, National Pork Producers Council

What about the allocation of costs for diesel fuel? You would probably use more diesel fuel for soybeans than for hogs; however, the hogs may be a larger share of the income than soybeans. How do you handle that?

Jim Johnson, ERS

The fuel for each enterprise is indirectly calculated. For each crop, we collect data on the cultural practices. Fuel for each crop commodity is calculated indirectly. We take into account the machinery used, the number of acres covered, and we use a technical coefficient to estimate the fuel used. We use the fuel prices from the prices paid survey to calculate an expense for fuel.

John Otte, Farm Progress Publications

From Glen's example, the amount of diesel that goes to the hogs would be the residual when you take out for the crop total. Is that correct?

Jim Johnson, ERS

No. We would never combine a hog survey and a crop survey on the same farm.

Dillon Feuz, South Dakota State University

Where do you get your technical coefficients for the budget generators?

Jim Johnson, ERS

Those come from the agricultural engineering society, the same as most other economists use. I think we last updated the coefficients about 2 years ago. Repair costs for the machinery and equipment also come out of the technical coefficients.

Charles Dodson, Texas Tech University

Has there been any effort made to reconcile technical coefficients with the actual cost of machinery repair? There is some question whether those relationships are really correct given the change in the cost of machinery.

Jim Johnson, ERS

Yes. In our program we not only have an estimates program, but we also have a fairly involved research activity.

Terry Hickenbotham, ASCS

I noticed this heading is "Costs and Returns." You have State and regional prices on production from NASS on the cost side. On the returns side, when you have a return for a particular output, are you using the price received by the specific producer, a State season average price, or is it a monthly State price?

Jim Johnson, ERS

It is the prices from NASS. We exclude marketing and storage charges from our cost estimates. We also use a harvest month price so there is a balance between the price received and the associated cost of production. Our line of departure for cost of production is delivery of the product to point of first sale or point of first storage. At that point, the storage becomes a marketing decision not a cost of production. Thus, we use a harvest month price and exclude the storage and marketing costs from our cost of production estimates.

Norlin Hein, University of Missouri

In using the technical engineering coefficients in estimating some of these costs and some of these direct methods, and then implying later on that there are differences in the costs of production by size of operation, isn't that a little questionable because the engineering coefficients may not adequately reflect the differences in costs between sizes of operation?

Jim Johnson, ERS

We measure the differences in size and type of tractor and differences in size and type of implement used. So, from that perspective, there is some uniqueness to the estimate of the cost that is associated with size of operation.

Glen Grimes, National Pork Producers Council

Jim, when we really get into crop production, do we have that much specialization as far as equipment is concerned?

Jim Johnson, ERS

If you go from small wheat farms to the larger ones, you get a whole different set of machinery used. You see the same thing for rice. As you move from rice production in Louisiana to the Delta to California, you also see a switch in the types and kinds of machines that are used.

Bruce Dixon, University of Arkansas

Do you develop sets of variables to adjust for chemicals that are banned?

John Lee, ERS

Obviously, as chemicals used in production change, cost of production will be affected as well as yields. The issue of trying to look at the impact of allocating a chemical or class of chemicals is difficult, but there are people looking at those types of questions. We do those kinds of analyses on an ongoing basis.

Terry Hickenbotham, ASCS

That raises a question on how you go about estimating chemicals; do you get quantity variables?

Jim Johnson, ERS

For chemicals in the past, we have asked for expense. In the upcoming year, we will be collecting information on the quantity of chemicals that are applied to some of the crops.

John Lee, ERS

The whole chemical area is one of greatly expanded interest. Presently, the Department has, in its budget, a request for a much more detailed breakout on chemical usage in relation to water quality and food safety.

Bill Turrentine, Cost of Production Board

We review the various questionnaires above and make recommendations. A lot of the things that they are doing now, such as the whole farm concept and some of these parity things, basically originated in discussions at our Board meetings. Thus, we feel there has been a tremendous amount of progress in the concept of production costs and analysis. It is an ongoing thing. A lot of it has to do with how much money can be appropriated.

Mike Sands, Western Livestock Marketing

Do you index the data in intervening years between surveys?

Jim Johnson, ERS

That is the basic approach. That is why we have our set schedule of every 3 to 5 years. The physical input data remains the same each year, and prices are adjusted. Thus,

we capture price changes but no changes in input quantity between survey periods. I think that is pretty much what every land grant college does unless they have an annual survey program. This can create a problem if you have a major change in technology in between survey periods.

John Lee, ERS

There are different ways to use cost of production numbers as well as different ways to generate them, and the one thing we try to do is be specific in what we are producing and the concepts that are used to produce these numbers. The reports explain what has been changed from year-to-year and what new concepts may have been worked in or what new data sources were used. The cost of production or income for an individual farm business is very different than looking at it from perspective of national income accounts. So, a lot of the differences over time are from people trying to take some of the same numbers and use them for different purposes that may not be appropriate.

Jerry Saylor, John Deere & Company

Farmers who spend more time in front of a computer may out perform their counterparts in similar geographical areas and gain higher prices. They, in effect, have the same physical input, but they have a higher value output from those operations; yet, that is not captured in any sort of a productivity measure.

John Lee, ERS

Folks may not appreciate the importance of productivity measures, but as we are more involved in a global market and trying to figure out what our position is in that global market, then changes in productivity over time are very important. This included not only our absolute productivity at any one point in time, but how the productivity of our agriculture is changing not only relative to other countries' agriculture, but also relative to other sectors of the U.S. economy. Given some work that has been done in recent years, we probably have a better fix on productivity of U.S. agriculture now than of the productivity in any other sector of the U.S. economy.

Jerry Saylor, John Deere & Company

In a certain sense, what you have done is prejudged the results by assigning the wage rate up front. If you assess an established wage rate for certain activities, I am not sure what you have measured.

John Lee, ERS

Jerry, you are right in that we don't have perfect data on everything, and what we basically are saying is that we look at the market as a way of showing you returns of data to wage rates by these various categories, but you don't know the characteristics of the person and whether they are spending more time in front of the computer than driving a tractor. We also don't know if the hours spent in front of a computer results in more or less productivity.

Eldon Ball, ERS

One should not associate productivity growth with profits. During the first half of the '80's, the productivity growth was quite strong. Part of the reason was the change in land values, but it is mistake to associate productivity with profitability, particularly in agriculture where there seems to be an everlasting demand for the output.

Land Values

Howard Holden, NASS, Des Moines, Iowa

It seems the cash rents for crop land show a lower rent to value ratio than whole farms. That doesn't seem logical since crop land, I would think, would have a higher rent per acre than the rental rate for whole farms.

Fred Kuchler, ERS

We ask for the value of rented land and the comparison of rental rates to the value of rented land is what determines the value ratios. What we have found is that there is not much difference between the value of all land and the value of rented land, but there is some. Typically, the value of rented land is a little bit less than the value of all land.

Joe Trujillo, University of Missouri

Given the current farm bill that is being debated, it looks as if soybeans are going to become a program commodity. If they become a program commodity, what kinds of impact do you see, if any, on land values?

John Lee, ERS

It depends on where they set the price support and how lucrative that makes it.

John Otte, Farm Progress Publications

Do you have any evidence to suggest that the trend in land values and trend in cash rents within any given State, say Iowa or Illinois or Indiana, is different on land that is classified as highly erodible versus land that is classified not highly erodible?

Fred Kuchler, ERS

So far, we haven't attempted to relate the erodibility of land to the value of land or cash rents. This would be extremely difficult to do using whole farm data since the variability of the erodibility of land varies greatly, even within the same field.

John Otte, Farm Progress Publications

The string of logic that I am thinking about is that the deeper we get into conservation compliance the more restricted the guy who has the highly erodible land will be in his options on what he can grow on that ground, and how he can grow it versus the guy who has the non-highly erodible land who is in a better position to react to whatever the market is saying he ought to produce.

John Lee, ERS

That is a research question that, hopefully, we will have a chance to take a look at. I have talked to some Iowa farmers, for example, who once they got their conservation compliance plan in place, were given restrictions on crops their plan would allow them to grow. The value of their land was reduced rather substantially.

Terry Hickenbotham, ASCS

We have also heard some suggestions from Iowa farmers that flexibility, along with conservation compliance, would keep them from growing more soybeans. Simply because if they had a conservation compliance program in place they wouldn't be able to plant soybeans because of the erodibility.

Farm Balance Sheet

Bill Turrentine, Cost of Production Board

In relation to the asset situation, a lot of times, liquidity has a lot to do with how well off these people are. The reason I say that is because some magazines beat agriculture to death, and if some of those people had a chance to know a little more about this, they wouldn't be so harsh on agriculture.

Jim Johnson, ERS

We are trying to do is get a better handle on current, intermediate, and long-term assets in relationship to current, intermediate, and long-term debt, so that we can have something to say about the relationships of asset and income available to pay debt. You can trace liquidity much better that way.

John Otte, Farm Progress Publications

Of the total intermediate debt reduction from 1983 to 1989, do you have a feel for how much of that was paid down versus how much was written off?

Jim Johnson, ERS

There are some data that would suggest a write-off of 20 percent.

Charles Dodson, Texas Tech University

How do you measure the debt? Does that represent farm operator debt for business only?

Duane Hacklander, ERS

It attempts to exclude household accounts. Like when Farmers Home Administration finances a rural household, we try to take that into account. However, it is very difficult to separate business debt from other debt on a family farm operation.

Farm Income

Tom Morgan, Sterling Research Corporation

I think everybody in the livestock industry is a bit miffed about not hearing about the Census revisions until the issuance of the report. I think letting us know ahead when the final revisions would be out and then getting those reports to us would have reduced the criticism about the revisions. Anytime you revise 5 years worth of data, you have to go back and change your data base. I couldn't do my analysis until about a week after the report, so it really clogged up the system and created some lack of goodwill just the way it was handled; not so much the revisions themselves, but the way we found out about it.

Charles Caudill, NASS

You are talking about specific revisions, namely the Iowa cattle on feed.

Tom Morgan, Sterling Research Corporation

No. The hogs and pigs, cattle on feed, etc. We knew that they would eventually be out, but we didn't know when they would be released. There was no notification through the mail. It is my understanding there was a press release put out, but it didn't get picked up by the wire service, so we were left in kind of a vacuum. The data were available, but no one knew it was there. That was the problem.

Charles Caudill, NASS

I will give you my perspective on what happened, which if we had it to do over again we would certainly have done it differently. As soon as they received the Census data the commodity people who were working on revisions were working day and night to get those revisions done and out as soon as possible. Therefore, we were uncertain when the work would be completed and for that reason there was not a day scheduled, well in advance, for release of these revisions. A little background on the reason for revisions: The only revisions made in cattle on feed numbers were in Iowa, and their affect on the national numbers was in the range of 2 or 3 percent. The reason for the revisions is partly resources. We lost some State resources in Iowa back about 1980 or 1981, and we never replaced those. We continued to let the list of farm feeders in Iowa deteriorate. We were using a non-probability survey, in which we were measuring change from month-to-month with our incomplete list of operators. As operators on our list went out of cattle feeding, they were not replaced by new feeders, thus we biased our results downward. You might be able to survive a year or two with a list deteriorating, but sooner or later it catches up with you, and it really caught up with us in Iowa. In 1980, we had over 20,000 cattle feeders on our list in Iowa and by the first of last year, we were down to 7,500. When we put out the revisions, we should have put a press release out and highlighted the revisions. We will be more sensitive to that in the future.

John Lee, ERS

I had really raised questions in the context of farm income. We have two kinds of revisions on farm income. One is an occasion when you get a major new source of data, like the Census, you go back and readjust your historical series, and then of course, you have the regular updating each year. A few years ago, we did not have a regular schedule for updating our income forecast. Anytime you issue a revised estimate of farm income somebody gets mad. The Department gets sensitive about it whether it goes up or down by any substantial amount. We hit a sensitive nerve here a few years ago, and as a result of that the Department suggested that we just eliminate all of the farm income forecasts and would only do historical estimates after the fact. That led to an uproar in Congress, which basically got us into a situation where we now have an established set of dates for releasing the first time forecast of next year's farm income as well as all the revisions. Those are published revision dates, and we follow that schedule now. That has greatly reduced the political sensitivity of these revisions.

Jim Johnson, ERS

We do put ourselves on the line a little bit when we publish analysis of our income accounts and make revisions or adjustments. This gives you some idea of how far away we were from our forecast, and invariably you will find that our receipts and expense estimates are within a percent or so of our forecast. So they are fairly close. We do that to let you know something about how close they are each quarter so you can get a feel for the usefulness and reliability of forecasts that we make.

L. D. Schnake, FCIC

What about people making requests for data where the data do not really exist? Should they write to their Congressman? In my position as a user of the data, there is never as much data available as I need. Right now, Senator Conrad is after us because we don't have dry bean

prices by class. I suggest we write a letter to Senator Conrad and tell him that the best thing he can do rather than writing to Federal Crop Insurance for lack of information is to get Congress to provide resources for NASS to provide dry bean prices by class.

Charles Caudill, NASS

It is a fact that the reason we don't have some of those data is a lack of resources to do them. We are trying to work with the dry bean industry. In fact, I just signed a letter yesterday letting them know what we try to do in 1990 and suggested several things we thought they could do to help us. Sometimes it backfires when you go to Congress, because they may say do it, but not give us any resources.

John Lee, ERS

You might be interested to know that there are major USDA initiatives in the water quality and food safety areas. This will result in a substantial increase in the collection of data primarily related to pesticides. One common theme for all of these environmental issues is concern about pesticides and the Department is interested in getting a comprehensive data base about pesticides. We collected data on cotton last year and will collect data on all major field crops this year. In collecting and publishing pesticide data, we will be able to strengthen our other data bases, so overall this should be an improvement.

In ERS, we publish a lot of economic indicators. One of the things we don't have, and a meeting like this makes it clear to me that we need to have, is any kind of a summary of what all those indicators are. In the farm income and balance sheet financial area, there is a publication out called "Economic Indicators of the Farm Sector." We also publish economic indicators in the trade area, the marketing margin spreads, the resources area, and land values area, even in such things as rural indicators regarding the new publications on monitoring the economic and social indicators in the rural sector. What we will try to do over the next year is put together a document that puts together a list of all of these, so you will know what we have with a description of what each contains.

Charles Caudill, NASS

I think there were a couple of comments this morning about electronic accessibility to NASS data. Whoever raised that, were you talking about the Department's computerized dissemination of information? It used to be called EDI. Is that working any better, or it is just too expensive for you?

Donald Peterson, South Dakota State University

It is terribly expensive. For a while we were getting it off Agnet. When that closed down, we went to Dialcom. It was quite reasonable on Dialcom, but now it has been shut off there. We were told we had to go to CID and it is too expensive.

Charles Caudill, NASS

We will take this word back to our Departmental people. I was hoping it was getting better. We did get the monthly fee lowered, so that it should be better than a year ago.

Donald Peterson, South Dakota State University

The thing is our budget is so tight it pretty well locked us out. When we did an estimate of what it was going to cost it was rather expensive, so we did not sign up for it.

Terry Hickenbotham, ASCS

Something else that would be nice, like ERS is doing, would be if the 5-year revisions for livestock slaughter and crop production and all of that just came out could be gotten on diskettes.

Charles Caudill, NASS

We are working on that. We hope to have more and more of that available, but it is a matter of having the resources to do that. We are a lot farther along than we were 2 years ago, but we are about 2 years behind where we ought to be.

Donald Peterson, South Dakota State University

One of the things I am concerned about is quick accessibility when the reports come off. The reports are released at 2:00 in the afternoon, and we are getting calls by 2:30. Sometimes it takes a long time to pull off printed material, and it is too late by the time you get it from one of the other systems and it is abbreviated or cut back and we cannot answer the questions. I think it is very important that we receive the information the same day the report is issued.

Charles Caudill, NASS

I really think there needs to be a USDA data base that will be freely accessible, or at a fee that people could afford, to get these data in a more timely manner. We are getting close to the point in NASS where we could provide a public use data base and, hopefully, at a very reasonable charge.

Paul Justis, Doane Information Services

You were talking about money in your budget for distributing the various publications.

Charles Caudill, NASS

We get about \$80,000 a year from all subscriptions at the national level in NASS. It pays for printing and postage. That's about all.

John Lee, ERS

That is the way it is supposed to be set to try to cover our costs of making them available. So it's not a large item.

Charles Caudill, NASS

We actually save about a million dollars a year over what we had when subscriptions were free because many people don't ask for them now. The printing and postage of those we send out now is about \$80,000. So with the fees and the savings it makes a difference of somewhere around \$900,000 in our budget.

John Lee, ERS

The situation is a little different in ERS in the past. In ERS, we have regular periodicals for which we have a subscription fee and then we have a sales price of all of the research reports. We probably average about 1,000 free copies to news media, university libraries, agricultural economics departments, etc., of everything we release. However, situation reports and periodicals are almost all paid for.

Charles Caudill, NASS

We do give free copies of any of our reports to the media and to any potential respondent which is all farmers and a lot of agribusiness firms, like elevators. If they want a copy of our report, it is free because they are either respondents to our surveys or potential respondents.

Howard Tice, Kansas Association of Wheat Growers

I had a question concerning the way the net farm income is figured. The description shows the account includes the service income and expenses associated with operating the farm and dwellings. I have a little difficulty understanding exactly what that means. How does that apply?

John Lee, ERS

In the net cash income, we only take the cash farm income and subtract out the cash farm expenses and get a net cash income. When you start looking at all of the factors that are part of the costs and returns over a longer period, this is a long established tradition. On the income side, the value of the house to the owner is considered a part of the farm buildings and dwellings. We count the value of that since if he didn't have that he would be paying rent for a house. You also include the expenses for maintaining the home. So it is one of those attempts to make sure that everything that is part of the farm operation, the buildings and everything that is on that farm operation, are fully accounted for.

Mitchell Morehart, ERS

I would say that is a good explanation. An analogous example would be if you grew produce and ate it on the farm, it receives a similar treatment. The consumption of that food on the farm adds value to you. So it's kind of a non-cash component of net farm income, and that's where you would reflect that.

Jim Johnson, ERS

For this year's survey, we went so far as trying to find where the house is located, whether it is located on the farm operation or in town, to make sure we were treating it properly.

Howard Tice, Kansas Association of Wheat Growers

I have often wondered about that because we see so many national reports that cite the net farm income rather than net cash income. No other business that I know of includes the owner's home in the income.

Mitchell Morehart, ERS

It is not a big component. It is relatively minor. Where it makes a difference is when you compare the net farm income of a farm that would have a thousand dollars of farm sales to the net farm income of a farm that would have fifty, or sixty, or a hundred thousand dollars of farm sales. What that tends to do is make them more equivalent. In other words, for the small farm operator the value of his house means a lot to the small farm, and in that case it would be substantial. On larger commercial farms it is insignificant, so it tends to smooth the average value of income between different sizes of farms.

John Lee, ERS

That makes it more of an issue because for many of those small operations, farming is sort of a side line activity.

Howard Tice, Kansas Association of Wheat Growers

Is there any way to give a ball park estimate of the difference on a "average farm" between the net farm income and the net cash farm income?

John Lee, ERS

One thing to do is look at the U.S. aggregate.

Jim Johnson, ERS

It depends on the relationship to what the imputed income would be for the dwelling on the income side as opposed to what the depreciation would be on the expense side.

John Lee, ERS

The biggest driver of the difference between the net cash income measures and the net farm income measures is shift in inventories. So in years like 1988, in a drought year, a lot of farmers had sizeable stocks. You have a situation there where your net farm income would look pretty low because they didn't produce a lot, but you sold a lot of stocks that you had the previous year, so that was cash income, and it didn't have comparable expenses against it, so it made your cash income look high. The difference in net farm income and cash farm income is whether you are adding to stocks or taking away from stocks.

Tom Morgan, Sterling Research Corporation

Since you mentioned that you might even have to put the monthly Cattle on Feed Survey on the block, I would suggest an expansion of one key piece of information that would be helpful in projecting fed cattle marketings would be to collect the placements by weight categories. There are a significant number of models out there available to forecast marketings if you had that piece of information, and it would greatly enhance the ability to anticipate fed cattle supplies.

Bill Pratt, NASS

After the 1988 Data Users Meetings, I talked to a number of industry people about this. If they were willing to go along with it, and thought it was a good idea, it would probably have been done by now. However, they told me that they have enough trouble reporting the current data. I understand Jim Mintert at K-State collects some of that data and apparently has been doing it for some period of time. We should reinvestigate the feasibility of doing this again.

Tom Morgan, Sterling Research Corporation

The reason that I suggest this is that most people who are feeding cattle have some idea of what those cattle weigh when they go into the feedlot. They probably have a better idea of that than some of the items the quarterly survey is collecting right now.

Charles Caudill, NASS

I hope if any of you have any questions that haven't been answered you will drop us a line. We will summarize today's session as well as tomorrow's in Indianapolis and the one in D.C., and we will send you a copy of all three sessions including, I am sure, letters that people have written who were not able to attend. We will get that put together and sent to you just as soon as we possibly can. If there are questions that need to be shared with the group, we will also include those in the proceedings.

John Lee, ERS

When any of you come to Washington and have questions or reservations about some area of work and want to come by ERS or NASS, we are always open to that. If we know you are coming, we will have someone there. We would appreciate a call, but if you get there and don't have time to call, come by any way.

DATA USERS MEETINGS
Indianapolis, Indiana
May 3, 1990

Cost of Production

Phillip Anderson, Indiana Corn Growers Association

What is the program schedule in 1991 for costs of production surveys?

Jim Johnson, ERS

What we normally do is rotate commodities. In 1991, we will come back to corn and cotton most likely. The cost of production surveys are part of a larger nationwide general economic survey. Working with NASS, we try to select commodities that have broad national coverage that occur in a variety of States. At the same time, we don't want to add four or five commodities in any one State simply because that gives a cyclical burden to the workload from one year to the next.

We try to smooth out the number of contacts and the number of survey interviews to help the State in scheduling enumerators and workload. Secondly, we want to assure ourselves that we have sufficient contacts to do statistically reliable State finance analysis.

Ross Riggs, Indiana Farm Bureau

Why are onions a COP commodity? Do you plan to go into any other vegetables?

Jim Johnson, ERS

Well, that was a matter of preference in our specialty branches. They simply chose to do onions. At one point, they were looking at lettuce. In the future, they have some interest in things like tomatoes and a few other vegetables. They chose onions because of the sample we had available for use and the States in which onions are grown.

Rueben Buse, University of Wisconsin

Are you going to be saying more about how you allocate those production costs and joint activities in the cost of production budgets?

Jim Johnson, ERS

There are two budgets actually presented in the costs and returns statement. The cash flow statement provides a short term current year prospective of the returns and the costs associated with production. It is a cash budget. The cost statement is an estimate of the total economic cost associated with production. It provides an estimate of all of the costs incurred during the production cycle.

It includes a full estimate of all owned inputs. So, there are in effect two budgets provided. We intend, in upcoming publications, to divide this presentation into two tables; one table that deals with a set of cash relationships and cash costs and returns from production and a second one that will deal with the economic costs and returns.

Howard Doster, Purdue University

What is included in the capital replacements?

Jim Johnson, ERS

It is an estimate of the equipment used up or consumed during the year. It represents the cost needed to replace the tractor and the machinery. It's the machinery complement that is used in production, including the tractors, trucks, harvesters, and other implement pieces that are used in production of the crop. It is the current list price for those machines that are used; new or used. It's the replacement complement actually used in the production process.

Howard Doster, Purdue University

So how do you respond to the inflation issue on machinery?

Jim Johnson, ERS

To the extent that current prices adjust, that would be included in the replacement cost that we have in our cost of production estimates.

Howard Doster, Purdue University

On the machinery complements, is there anything other than depreciation or replacement? Are there any interest components in that replacement?

Jim Johnson, ERS

Yes, this is another line item that we are going to clarify in the future. The interest on operating loans also includes the interest on intermediate loans, such as machinery and equipment. The interest covers all payments made by producers during the year including those for operating loans, machinery, equipment, land, etc. If the producer has no debt, then there is no cash interest paid in the cash budget.

Phillip Anderson, Indiana Corn Growers Association

Why do you feel you can get a straight answer on chemicals, but you can't necessarily get a direct answer on seed and fertilizer?

Jim Johnson, ERS

You can get a direct answer and we do for the whole farm. We obtain a direct estimate of the expense incurred for the fertilizer, the expense incurred for the seed, as well as for the chemicals.

We like dealing in physical quantities for two reasons. One, it provides a good way to communicate with researchers in land grant universities and various producer groups, in terms of what you do. Second, we have found, as you look at your estimate, a good place to begin is to ask what is the application, what quantity did you use, and then what price did you pay for it.

The same is true with fertilizer. We like to deal with physical quantities used, and then we can price that out. We have collected data both ways. In some of our surveys, we test what are the best ways to go about developing our estimates. For example, fertilizer application rates may be a problem for a large producer, particularly with multiple fields and different application rates on each field.

George Patrick, Purdue University

Do you collect totals or how do you go about doing that?

Jim Johnson, ERS

One aspect of the answer is to deal with the physical quantities, so that you can interact directly on what was applied. But there's another reason. We only collect data every 3 or 4 years for the major crops. How do you go about updating your costs and returns estimates in between survey periods? Well, our work has indicated that technical change occurs fairly slowly, and the rates of application of most inputs tend to change fairly slow. Unless there is some major change in technology that you just miss in a survey, your input use rates tend to be fairly good. For example, we surveyed rice in 1984. In 1985, there was a major switch in variety which created a little bit of difficulty for us, so we had to go back and address that issue. But by having the physical quantity, the rate of application of seed or the pounds used, and the quantities of fertilizer used by working with NASS, we have an annual prospective on prices paid; and we have that data at the State level. We can always capture the change in price paid for the input, so that we're current. When you get to the chemicals, some commodities can have very small applications of a wide range and variety of inputs. So, it was really a question of how much interview time can you take. It was a matter of convenience, pretty much, to go ahead and ask for expense.

Wally Tyner, Purdue University

Are you implying that if you ask both quantity and price that the price you get is not consistent with the prices from the other survey, so you can't use that?

Jim Johnson, ERS

We did ask for prices on wheat this year. As we looked at fertilizer, we asked for both quantity and price from the individual producer. We're trying to look at the factors associated with production and to be able to talk more about not only the technical differences associated with production but some of the price differences as well. So, we collected both price and quantity data for the fertilizer applications on wheat for the survey just finished.

Marshall Martin, Purdue University

I'd like to go back to the ag-chemical issue for just a minute. I have had some experience in actually surveying farmers in Indiana about integrated pest management and chemical use, so I know about the problem you referred to. And yet with the questions that continually arise related to the environmental concerns, which are not strictly cost productive calculations, it's a broader issue. It seems to me it is important for us to have a good data base on chemicals being used, so we can do economic analysis as well as other kinds of assessments in this environment in which we are living in 1990. So, while it is not directly your problem, or perhaps a cost of production, I understand your dilemma. From the broader policy perspective, I think we need to know more about ag-chemical use by type, region, and crop to assess some of the other questions we are getting in the area of integrated management.

Jim Johnson, ERS

Marshall, that is exactly correct from our perspective, and a great deal of work and thought has been ongoing within ERS and NASS over the last several months. John Lee may want to address that more directly. Eldon Ball and others here from RTD and Charles Caudill and his group may wish to speak to that from the perspective of NASS. Work is underway to plan and design survey instruments to take to the field in the next year. As part of the FCRS survey, we will probably collect some physical data on chemicals and other inputs. We need to not only know something about the

quantity of use of the various chemicals from the perspective of groundwater, food safety, and other kinds of issues, but we need to be able to place that into a farm financial perspective, so that we can say something about the impacts of adjustment.

The current method of collecting chemical data is best from the viewpoint of the enterprise costs and returns statement, simply because the length of interview time is extensive. This is one place where we found in the cost of production surveys that we can get good information in a less time-consuming manner. So, this was simply a matter of convenience for the cost of production surveys.

Howard Doster, Purdue University

You have now moved down into the economic cost. Did you tell us what return you are using for operating capital?

Jim Johnson, ERS

In the return to operating capital, we measure the amount of capital used during the growing process. The rate we used to estimate our returns on operating capital is the 6-month Treasury bond rate. For the return to other non-capital, we used the long term rate of return to production assets used in agriculture which is a rate of return to assets from current income averaged over 10 years. We use that for two reasons. One, I think the literature indicates you need to use real rate of interest. We use that as a proxy of some sort of a real rate. Second, it's an income return from production agriculture, and we use it as a good proxy for the assets used in production of an enterprise. It's simply the return that they can use in production of another enterprise. So we are using the long term rate of return to assets as our proxy for the interest rate and the interest return to use on our other non-capital.

Howard Doster, Purdue University

Does that include land assets in the 10-year rate?

Jim Johnson, ERS

Actually it's the income from current production to assets. That would include land and all assets used in production. It's the rate of return to assets earned from current income at a nominal rate.

Peter Barry, University of Illinois

Why would you use a real rate in one case and a nominal in the other?

Jim Johnson, ERS

A good point. We use the T-Bill rate on the current operating input because they are purchased, used, and consumed normally during a few months time span. So we used the current T-Bill rate at that point.

On the other non-operating capital, the machinery, the equipment, and the other inputs that we are using have an opportunity for price adjustments. We are using some sort of a real measure of return simply because the price of the input itself can adjust. So interest expenses or the interest rate used to impute the return is a real rate, which does not contain the inflation component in the interest rate itself. It is captured in the price of the input used.

Bob Jones, Purdue University

Would you go back over your statement about how you allocate overhead expenses?

Jim Johnson, ERS

We measure the overhead expense annually through our survey program. We can ask what was paid for a variety of farm services; everything from newspapers, magazines on through the whole variety of overhead items. We get an estimate of the total expenses incurred. We also estimate the value of production for each enterprise produced on the farm operation. Then we allocate a portion of the total overhead expense on the farm business to the enterprise, based on the relationship of the enterprise's value to the total value of production on the farm. On capital replacement we obtain information on each piece of machinery and equipment used in production. Capital replacement is directly estimated for each enterprise based on that enterprise's use of the machinery and equipment.

Robert Thompson, Purdue University

Jim, how are you coming along in being able to see the average cost of the production for the most and least efficient 10 percent of the farm growers? One thing that really bothers me is the Census of 1987 showed that 49 percent of all farmers in the United States, as defined by the Census, had less than ten thousand dollars worth of gross sales. It really concerns me that half of the observations in calculating the national average cost of production is in farms that I don't consider farms by any stretch of the imagination in terms of being able to produce an income for the family. Are you getting the capacity to say what is the average for people who are in the business to feed and clothe their family?

Jim Johnson, ERS

Yes. There is a great deal of variation that exists across time and across regions. If you put the same graph up across size of farms, the same type of variation would exist as well. We are now beginning to say something about the cumulative distribution of production, the farms which produce our commodities, and the associated costs of each.

Our programs are organized now with specialists who are not only focusing on the estimation and the analysis of underlying data, but the factors that are associated with cost. So we can say something about the kind of complements that are used and the kinds of prices paid that are incurred. We can begin to address who are the high cost producers, who are the low cost producers, what do we know about the characteristics of those people, what portion of production do they account for, and how does it vary not only across time but across areas of the country. What we are now doing is beginning to restart our cycle, and as we go through this last year we have conducted a survey for rice. We now have two points in time where we have identical data collection procedures to do this and identical estimation procedures, so we can begin to look at changes that are occurring in the distribution.

Robert Thompson, Purdue University

Have you thought about publishing the normal cost of production concept, if you will, where you had average yield or trend yields for a farm instead of yields they actually harvested? I think in terms of understanding the long-term viability of the business and competitiveness of that farmer. It's not what he is able to get the year of the drought or the year of the bumper crop, it's what they would have gotten if weather had been normal, assuming they are going to smooth out the cost of the returns over a period of years.

Jim Johnson, ERS

It also will affect our estimate of the cost too. Because you assume something like normal yield, you have a set of costs, like harvesting costs, that are influenced by the estimates. So, you would have to come back and address some of those things as well.

Marshall Martin, Purdue University

For the production costs, have you ever considered calculating cost of the production returns including the government indirect payments, such as the cost associated with the payment of the land set-aside or out of production as well as the government payments?

Jim Johnson, ERS

We assume there is some per acre charge associated with maintenance of set-aside ground. To my knowledge, there has not been a lot of work actually trying to measure it. More importantly, there has not been a lot of work to measure who participates and who doesn't. In dealing with computing some sort of a national weighted average, or more importantly in trying to compute some sort of a distribution of costs, it becomes vitally important to know something about who participates, who doesn't, what are their costs, and what are their landlord relationships in terms of the crop shares and the inputs that are shared in production. We tried to measure this for rice 2 years ago. We followed up with wheat this past year. We have tried to measure the acreage that are included in the program, what kind of activities are undertaken on those acreage from the viewpoint of the production practices, the field operations, what kinds of chemicals and other inputs that are used for wheat, and in particular, what kinds of income may have been received and the government payments that are associated with them.

We now have produced an estimate of the effects of government programs on rice production costs and returns. We discovered for the variable and the operating expenses, there was a very small or slight increase in cost; perhaps a dollar to a dollar and a half an acre. The major influence on cost was the share of rents included in the net land rent, particularly if the landlord receives a portion of the government payments. Offsetting that was a major impact on the estimated returns for production. So, we have tried to have a consistent estimation both of the costs and returns. The methods and the procedures that we have used are spelled out. We will be following up this summer and fall with estimates for wheat. As we survey future program crops, we will be collecting similar data so we can extend this to all crops.

Phillip Anderson, Indiana Corn Growers Association

How far down with your sample size can you go to come up with numbers? Within a State, such as Indiana, for example, we have nine crop reporting districts. The variation within the State is dramatic as you move up and down the State. Is the sample size large enough within a district that we can run those kinds of numbers or not? Are we just talking about a State?

Jim Johnson, ERS

A State is as far as we can go. If it is not statistically reliable, we are not going to publish it. So much of what we do is governed by the sufficiency of the sample size and usable reports. We simply don't want to produce what may be misleading information. Many of you in this room are probably familiar with the old small area budgets that we used to produce. We no longer are producing those, and for this reason. First, they are not based on a probability based sample and, secondly, the number of observations in some of those areas was not sufficient. We adhere very closely to number of usable reports that underlie our estimates.

Walter Albers, National Farmers Organization

Jim, when you were talking about individual enterprises, is there any program you have that we can use on our home computers where we can update internally by knowing the formulas?

Jim Johnson, ERS

We have never done that. Has anyone developed programs around the Midwest that would facilitate that kind of activity by producers?

Wally Tyner, Purdue University

We have done some with Ohio State, and I'm trying to get into how you put your numbers together. You have to use some type of formulas on either variable or fixed expenses, and that's hard to put on a Lotus program base.

Robert Thompson, Purdue University

Related to that, Jim, I sure encourage you when you put this conference together to include the staff comments, and not just the ERS. Make sure the staff comments of this group are involved. It's very interesting.

Jim Johnson, ERS

That is an excellent suggestion. I did mention earlier what we are attempting to do is make sure that we produce a product that shares with folks like Howard and others the underlying data in our estimate, which I think will facilitate your work, and would make it available in a format that you could use. We have not gone so far as to say, "Here is a Lotus disk that has procedures on it to develop estimates for the cost of producing corn," although I don't see any reason why we couldn't.

John Lee, ERS

We may be able to do something like that, Jim. But a general comment I was going to make at the end of the day is you have to be very careful whether we are talking cost of production or farm income. These things are produced to be consistent either with the set of national income accounts or for looking at cost of production from a national policy perspective. That is different from the cost of production for an individual farm. This is a frequent source of some misunderstanding and conflict between the numbers we produce on cost of production and what you might be looking at if you're trying to manage an individual farm. So one has to be very careful. Maybe the most useful thing to do is, if we could, link through our colleges and land grant universities who have more farm management orientation.

Walter Albers, National Farmers Organization

The Secretary of Agriculture has opened up the federal orders from the standpoint of Minnesota-Wisconsin (M-W) milk price on how the M-W is going to be computed. We need cost data quicker and more current from the USDA if we're going to be using a different type of formula. Can we get some data from the USDA on a current month-by-month versus previous year basis for use in the meeting that is coming up in September?

John Lee, ERS

I don't know whether we can produce anything on a month-by-month basis to be up-to-date. I think the best thing we can do is have the national estimates and benchmarks. This particular purpose would work off of those data.

Lynn Forster, Ohio State University

Is it your notion to ignore stocks, off-farm real estate, other kinds of financial assets, and other kinds of investments for the household account?

Duane Hacklander, ERS

That's a gray area, but we try to cut the household off at what assets they hold related to the farm. So that would exclude General Motors stocks, a vacation house, etc. We're trying to collect some of this information for evaluation from the FCRS Farm Operator Resource questionnaire. We ask a similar question on the Census AELOS instrument, but we don't have a good feel for how good it is. I don't think we plan on publishing it. It is not included in the agriculture sector account.

Jim Johnson, ERS

I think you have vital information. We need to work with the Bureau of the Census to include these questions in their survey, as well as in our own FCRS questionnaires, so we can begin to look at assets held by farm operator households.

Duane Hacklander, ERS

We will look at it and hopefully may be able to publish what is found in these two surveys, but as of now I don't think we have any plans to include estimates in the sector accounts.

Lee Schrader, Purdue University

Is there no attempt to make machinery values correspond in any way to the cost of the production numbers? Those are different concepts altogether, is that right?

Duane Hacklander, ERS

Yes. The estimates are made each year. We're going to benchmark our machinery and equipment assets to what is reported in the Census of Agriculture. Within that year, there is this perpetual inventory. They go through the four categories. The people on the farm income side estimate that. We don't. It does go up and down with market value.

Peter Barry, University of Illinois

As the new secondary market for farm market loans becomes accepted, how do you see that affecting measurement and reporting of farm real estate debt?

Duane Hacklander, ERS

I am not sure how to answer that question. The data we now obtain from the Farm Credit System is real estate and non-real estate. When we get into the secondary market, it takes a lot of the debt out and it's not classified as agricultural debt. I'm not sure we're going to be able to catch it.

Lee Schrader, Purdue University

Just another comment on the term real estate debt. Real estate debt always amuses me, because I don't know how you tell what people have used the money for once they get it. If we said mortgage or debt secured by land, it probably would be describing better what is going on.

Lee Schrader, Purdue University

Is the CCC inventory under loan removed from the inventory that you value on the balance sheet?

Duane Hacklander, ERS

We will look at how much CCC inventory is under loan. If the market price is above the loan value, we know the inventory quantity under the market price. We will take that differential and add that to crop inventory. The rest of the CCC inventory is excluded.

George Patrick, Purdue University

Could you talk a little more about how you estimated the individual income, both real estate and sellers primarily, and the aggregates by financing? How are those actually estimated?

Duane Hacklander, ERS

Well, a lot of those again are based on the 1979 Farm Finance Survey. For the individual on the non-real estate, we have a little better feel because we go out and ask the machinery corporations what was their loan volume movement from year-to-year. A lot of the other ones are based on what PIX does, and some of these other accounts. But again, we usually move those off of a benchmark and that is why we are looking for AELOS to bring it current. It's a question of whether we can look at FCRS as a means of keeping that more current. Right now it's moved primarily by using one of the other financial characters.

Bob Jones, Purdue University

I'd like to go back to the first question asked about treatment of the financial assets. I understood you said financial assets that are owned by, let's say, a sole proprietor are excluded. If the farm is incorporated, are they excluded or included?

Duane Hacklander, ERS

Well, they would be included if we're trying to get the financial assets held by a corporation related to that farm business.

Bob Jones, Purdue University

So then it wouldn't make any difference whether it's a subchapter S or it's a chapter C or whatever?

Duane Hacklander, ERS

You are beyond me there, but I don't think so. What we try to get away from are the financial assets that are held by the household. We just take time deposits and savings bonds out as held by the household and not by the farm business. That is why we need to relook at those accounts and what is held off the farm.

George Patrick, Purdue University

I guess it seems like it's becoming very, very hard to draw a line between the farm sector and the non-farm sector. How would you treat a retired farm operator that may own six hundred acres of land that is primarily assets of the household?

Duane Hacklander, ERS

If you're talking about a non-operating landlord, we would exclude them when we look at the operator. So the use would be to try to get a better measure of those people

actually in farming. If a lot of assets are held outside by non-farm or non-operating landlords, should that be counted against those that are operating when you look at their well-being? We haven't gotten very far into it. It's more of a picture we get when we look at the FCRS, which is an operator survey.

Jim Johnson, ERS

What we're looking at in both the income statement and the balance sheet is participants in the sector activity called agriculture, whether they are farm operators that farm the land, other participants that are providing input into the production process, landlords, contract operators, or other participants in the production of agriculture. First, identify the assets that they own to provide the production process. Then identify the accompanying income flows that they receive. This will allow us then to do a conceptual job of computing the rates of return to assets, earnings to current production, etc. We're trying to set up both the income statement and the balance sheet statement, so that we can have them aligned properly.

Farm Income

Robert Thompson, Purdue University

I continue to be somewhat concerned about descriptions like net farm income. You say this is an account developed to go into the GNP statistics in the United States. But the name--net farm income--has a ring to it that people want to infer something about the farm business. I wish it would be possible to better convey that in the presentation of the numbers that net farm income is a concept that is calculated to go into the GNP statistics in the United States and doesn't say much about the economic well-being of farm business. If you want to look at the farm business, then look at the cash income and the business income because it's got a lot of commonality or consistency with what you think of in a farm business management sense. I still don't see it coming through.

Mitch Morehart, ERS

My first response is that unfortunately you are correct. The most recent event that merits this treatment is the Farm Financial Standards Task Force. This was a group of agricultural economists, bankers, people from government, etc., sponsored by the American Bankers Association. Their draft report didn't go to the extent of saying how you could find things, but they at least gave us some guidance as to procedures and methods of accounting. I think it will provide more commonality between Government and universities. Our position in the farm level financial analysis area is to adhere to their guidelines as much as we can. That may contribute to clarification to the extent that they use different terms and so forth. But I sympathize. Terminology is something we have always wrestled with. It's a tough issue. But, I think the most important thing is that we use the same concepts. In terms of where I'm coming from, I am more concerned that at least the concepts and procedures are consistent between Government, university, and everyone else. If we can get the same names or get names that show distinction between sector and individual farm, that would be an additional bonus.

Jim Johnson, ERS

I think that was an interesting point. We agree with it. We need to do a better job in conveying what it is we are measuring. We will try to do that. I go back to the point I made when Duane was speaking about the desegregation of the balance sheet. We are

looking at that same thing from the vantage point of the income statement, and for precisely the reason that you mentioned. That is, how do we best convey what is happening to farm businesses and farm operators as we traditionally think about them. The statement as it's now presented is the net income of farm operations. There's a difference between net income of farm operations and the net income to a farm operator. For example, let's talk about perhaps the poultry industry or the pork industry here in the Midwest. The total net value of production on an operation does not all accrue to the operator. It accrues to many participants in the contractual arrangement. What we have to come to grips with in our income statements and balance sheet is how to better portray who receives income and who is providing input. We appreciate your concern, and we will see what we can do about it.

Robert Thompson, Purdue University

Among these accounts, isn't the net farm income still the most comprehensive picture of income in the farm sector?

Mitch Morehart, ERS

That is an opinion, but I would agree with that. I mean it's the most comprehensive, yes.

Robert Thompson, Purdue University

Income is net cash minus depreciation. What does that really say? You are not accounting for inventory change.

Mitch Morehart, ERS

I agree with you. It is the most comprehensive, and it serves as a good indication of the viability of the entire farm sector. The problem is, if I say farmers were more profitable in 1990 than they were in 1989, can I say that if I see net income of the farm sector go from \$45 to \$48 billion? Is that a correct statement, or am I misinterpreting the data? It is probably not a good indication of what is happening to traditional farm operators in Indiana versus those in Iowa when considering the distributional characteristics. Or is it correct to take that \$45 billion and divide it by 2.2 million farms, and say this is the average income of the traditional farm operator? I would argue that that's not correct, but it's done. So that is my point. There's a misconception of what the correct number is and how it should be used.

Robert Thompson, Purdue University

My concern was if you look at the 1980's, the net farm income bounced around mainly due to the changes in the value of inventory from year-to-year. Does that really reflect changes in the well-being of farm businesses? If you are interpreting that as ups and downs of net farm income, it has changed. The well-being of farm business is being kicked around by changes in the value of inventory. I am not convinced that is really being conveyed.

Jim Johnson, ERS

That is exactly why we're trying to develop different measures of income and different measures of the balance sheet. Then we're trying to measure the profitability of production agriculture. I would argue net farm income is the best measure of the profitability. It's not quite an accrual statement since we don't account for change in accounts receivable or accounts payable. Still, net farm income is the most comprehensive measure of profitability. Now, the net cash income statement, I think, is the best measure of cash flows and also liquidity in terms of being able to meet

current debt service. So, we are trying to measure these different concepts, and you will find in our published reports a consistent measure of a variety of ratio indicators that talk about solvency, profitability, liquidity, and debt service capability. The real key is what Bob Thompson has indicated. How do we best present the data so that it can be picked up, interpreted properly, and used to help people understand the sector?

Robert Thompson, Purdue University

When I was Assistant Secretary, I found most people who used the net farm income data had a net cash farm income concept in mind. That was the problem. So, obviously, something is breaking down between what gets published and how it is used.

Land Values and Productivity

Rueben Buse, University of Wisconsin

You're talking about an awful lot of changes in how you measure the productivity. What are you going to do about the transition in the numbers for people who want to use them?

Eldon Ball, ERS

We publish the new series beginning with 1948, so we will give you a lengthy transition series there. I don't think it has been decided whether to publish the old series. But even if we don't, we will provide a lengthy time series.

Marshall Martin, Purdue University

You mentioned in your last formal comments about comparing the productivity between the United States and Europe. Is the system used in Europe comparable to the changes you are proposing?

Eldon Ball, ERS

That is one of the nice aspects of the accounting changes. They are identical. All the intrasectoral accounts that we are taking out of our data are out of European data as well.

Phil Eberle, Southern Illinois University

Isn't there another survey of appraisers of land value that the USDA is conducting?

Fred Kuchler, ERS

There is a survey that we run through the Survey Research Lab of the University of Wisconsin. That is a panel survey of five hundred rural appraisers. It gives an intermediate reading on where farm land values are going throughout the year. We don't get State level estimates out of that. It's a much smaller panel.

Phil Eberle, Southern Illinois University

Are there any plans to expand the Wisconsin approach of using appraisers as a source of information instead of using farmers as a source?

Fred Kuchler, ERS

Historically, we have gone to farmers and ranchers. I honestly haven't given that a lot of thought.

Don Bay, NASS

I went out and I asked a farmer this question. "How much is your house worth?" And the respondent said, "About \$50,000." And I said, "How much is your land, excluding the buildings, worth?" And the response was a per acre price which you multiply by the acres. Then, you add the two together, and say, "Then your farm is worth this amount." The respondent says, "No way. No way I can get that."

Fred Kuchler, ERS

No, I disagree. I have looked at our experimental question, and there are a few cases just like you said. There were some problems, but by and large the estimates didn't reveal any obvious internal inconsistency.

Claude Thorp, Thorp Seed Company

My observation from visiting farmers that have purchased land is that if you purchased the whole farm, the buildings usually go close with what the land value is. Usually you can get more money out of the farm selling them separately, but not always. Sometimes you ruin the value of the land when you sell the buildings off. So it's a tough one.

John Lee, ERS

I would point out that we have some closely related data on real estate taxes. Foreign buyers of land are required to report purchases to ASCS. ASCS turns the data over to us for tabulation and release.

So there are State data on foreign ownership of land. I think it can be broken out by type of land, forest land versus marsh land and that sort of thing. So any foreign interest, even a corporation with 5 percent foreign ownership, is required to report that purchase. Even with that very broad definition, something slightly less than 1 percent of U.S. farm land is foreign owned.

Peter Barry, University of Illinois

I see studies that researchers do where they take rates of return from farm land and try to explain various factors that affect it. The rate they will often use is the USDA published cash rent rate divided by the value of the land. It's bothered me a little bit because in a State like Illinois cash renting is a very low proportion of the share leasing rate. I know it's hard to get values of returns to land on share rents.

Fred Kuchler, ERS

I talked with Mike Duffy in Iowa recently. Iowa is different from Illinois, but Iowa's statistics were showing, although the majority is share rented, that cash rents were not a trivial proportion of the land rental market.

Peter Barry, University of Illinois

In Illinois, it's something like 5 to 10 percent cash rent, and the rest is share rent. Have you ever made any attempt to correlate cash rents with share rents? Do you report an estimate of the incidence of cash renting in the respective States?

Fred Kuchler, ERS

We haven't accumulated any data yet on the split between cash and share rents.

Bob Jones, Purdue University

Just a comment rather than a question. I would say in response to Peter's point, in Indiana cash rent is not a trivial proportion of the rentals. I don't know what the number is, but it's not trivial. I have been looking at the relation between cash rents and values, and it's really quite remarkable when you take the two series and scale them. I guess you'd take your cash rents and effectively multiply them by twenty, so they are about the same level. They ride pretty much one on top of the other over an extended time period.

Jim Johnson, ERS

Are the cash rents adjusted for taxes and other expenses paid by land owners?

Fred Kuchler, ERS

No, they are not.

Prices Paid, Prices Received and Parity

Bob Jones, Purdue University

Does ASCS look at your number to set the county loan rates?

Don Bay, NASS

No, we do not generate any kind of county commodity prices received by farmers. ASCS surveyed some of the local elevators and established differentials by counties.

Bob Jones, Purdue University

How many people are in the sample for corn prices in Indiana?

Ralph Gann, NASS, West Lafayette, Indiana

Usually it's around 100 to 125 elevators. The sample covers somewhere in the neighborhood of 6 to 10 percent of the volume of grain that moves within the State. We sample large firms heavier.

Bob Jones, Purdue University

How do you deal with the situation I'm going to describe. Suppose it's October 15th, and the posted price for soybeans is \$5 1/2, and that's what is being delivered that day. But, there's some beans coming in that were contracted at \$5, and some of them are \$7 1/2.

Don Bay, NASS

We ask people to report the total bushels they received for the month. We also ask for the current mid-month price, but we understand we just get what probably is on the quotation board for the mid-month's price. But for the previous month, we ask you to report total bushels purchased and total dollars paid. We also tell you to report everything that was delivered that month. So at the point of delivery, you can have board contracted or delayed price of grain that would be delivered that month. Now, the board price for grain is pretty easy to handle. We put it in the month when the grain is actually delivered, but the deferred payment grain is a different problem. So far, there isn't enough of to be a serious problem, because you've really got to trust your elevator. Your grain is gone. You have no title to it, and you are still hoping that they will pay you for it.

I believe forward contracts are more common, but we haven't figured out a way to handle that yet. It probably should get reported in the month when it actually is paid for. When you send the farmer the check, even though it was delivered 3 months earlier, it should be reflected in the month when it was paid for. That is really when it is marketed, even though the grain is already gone.

Lee Schrader, Purdue University

There are still two concepts running at the same time. One is the income concept, where you actually take home a check for the grain sold. The ASCS or the CCC concept is what was the price of the commodity. So if you bring in wet grain, what you have is the right answer for your income, but the wrong income for the Commodity Credit Corporation, which presumably is the difference between the average price the seller received and the targeted price in terms of a standard commodity, number two corn. So, there are still two concepts you're looking at at the same time.

Don Bay, NASS

You're exactly right. Now, fortunately, some elevators discount the weight rather than the price, but unfortunately some discount the price rather than the weight. If they discount the weight, then they really net the water out of the weight. So, you end up with dry corn in bushels in your measurement. If they discount the price, what you're getting paid for is high moisture corn, more bushels, and lower price. That is where you gain in the product. We asked them to shrink to 15 1/2 percent moisture. Now, I'm not sure that everybody does it because each load, you know, is different. So it's a problem. We collect what people can report to us, and all they can report is what they keep in their books.

Lee Schrader, Purdue University

On my last corn sale, there was an adjustment for storage charges.

Don Bay, NASS

They are not supposed to deduct the storage charges. They are supposed to include that as part of your receipt, even if you delivered it to an elevator and stored it for 3 months.

Lee Schrader, Purdue University

But from an income standpoint, that is wrong and I didn't get the income.

Fred Thorp, NASS

In tying the programs together between ERS and NASS, the starting sale price is the price that we request be reported on prices received. Otherwise, we get a wide variety of expenses that you would have to keep straight. So, if you store grain at an elevator, do not deduct that charge from the market price. It is picked up in the Farm Costs and Returns Survey as a marketing expense. So it is a deduction.

Now, if I store grain on my farm, I've got expenses too. They are reflected in the building cost, fuel, trucking, and so on.

Don Bay, NASS

I think Jim Johnson mentioned that cost of the production takes you up through harvest. Any storage charges beyond harvest are not considered part of the cost of production which would include storing your crop in an elevator.

Lee Schrader, Purdue University

But the net farm income figure which you are multiplying times bushels is the difference though.

Don Bay, NASS

Right, for net farm income there would be a cost of storage, but it would not be part of the cost of production for corn. It would be part of your overall operating cost, specifically ■ marketing expense after it is produced.

Lee Schrader, Purdue University

So, the concept of the price then is number two, dry corn.

Don Bay, NASS

The price is established at the first point of sale when it moves off the farm. The price includes all grades of corn. It corresponds to, I think, CCC as a standard. It corresponds to the average price, as close as we can get to the average price, received by the farmer.

It's defined in the law as market price of all grades and qualities. So, it's not a number two corn. It's a good thing we got into this because I think there are ■ lot of misunderstandings.

Marshall Martin, Purdue University

Refresh my memory a bit. Who collects the data and how are they being handled for the farmer owned reserve for purposes of these price procedures? Where are we on that now? Is it still all ASCS?

Don Bay, NASS

ASCS collects all that data, and we compute the price.

Marshall Martin, Purdue University

From selected markets around the country?

Don Bay, NASS

Yes. When you walk in your State ASCS office, they've got a blackboard with prices from Kansas City or other terminal markets.

Fred Thorp, NASS

They have specific terminal markets where they are getting the prices daily or weekly and then adjusting it to a farm level price. You have probably noticed in each month's break there may be some sort of a ratcheting action that occurs in that series. How do they get back to the farm price? ASCS uses the NASS preliminary price information that is published in Agricultural Prices, and the price series around the fifteenth of the month at the terminal markets. They take that spread and use that for the following month to adjust down to the farm price.

Phillip Anderson, Indiana Corn Growers Association

One of the versions of the Farm Bill in the House of Representatives has a target price indexed by a cost of input index. Is that what you just showed us? Is that the index that we're talking about applying the target price too?

Fred Thorp, NASS

I believe it is. Sometimes they don't always put in the precise language what is needed. In other words, in the farm legislation, they say market prices. They don't really define the series.

Phillip Anderson, Indiana Corn Growers Association

In this case, it is my understanding the index currently used to calculate some of the wheat program prices was developed about the 1971-73 period when they used part of this cost of input. But another option was tied to the CPI. They said the input index was a much more accurate reflection of farm costs than ratcheting by inflation using the CPI.

Marshall Martin, Purdue University

I haven't heard that. It may be. In the 1973 Farm Bill, there was a combination of changes in yields with the prices paid by farmers index as an adjuster of the target price. That's going back a ways to remember, but I think that's it.

Phillip Anderson, Indiana Corn Growers Association

That's right, and it's now in the House.

Fred Thorp, NASS

That's sort of a transition stage between the old series and moving toward the cost of production.

Marshall Martin, Purdue University

It was a 1973 law that authorized your agency to collect the data. It was in the 1977 Farm Bill.

Phillip Anderson, Indiana Corn Growers Association

Right. It's in the proposed House version for corn target price.

Fred Thorp, NASS

I'm pretty sure this is the index they are talking about. It would omit the family living, so you would have only the production components.

Rueben Buse, University of Wisconsin

I heard you say the components in the prices paid index are based on the 1971-73 expenditure survey. But, I also heard you say that the weights are changing across time. So, the index of prices paid reflects both a change in the relative items in the index as well as prices?

Fred Thorp, NASS

No, this is an indicator of what might happen if you updated the weights.

Rueben Buse, University of Wisconsin

So, the weights aren't constant?

Fred Thorp, NASS

If your month is typical, which you can't be sure of, it is some indication what updated weights might look like. We do not change them. In other words, it's a measure of the differential in the change of prices between the different commodity areas and between reference periods.

Wally Tyner, Purdue University

Would the FCRS survey include just the land in that selected area or all of the land farmed by the farmers in that area who live in this area?

Doug Kleweno, NASS

At the present time, the FCRS is designed to interview all farm operators living in the selected area regardless of how little, how much, or where the land operated is located. So, we are assuming, in this case, farmers A, B, C, and D all reside in the sampled area. A portion of farmer A's land may be outside the designated area. The farmer may also be operating land somewhere else in the State. If the operator lived here, then he would be interviewed for information concerning the entire farming operation to include all the land farmed where the individual makes the day-to-day operating decisions. Not just the parcel of land that is within the boundary that was selected.

Now, we're looking at some other alternatives, some other estimators, where the operator may not have to reside in this area but has land that is being operated in the sampled area.

Marshall Martin, Purdue University

How do you decide what sample size to draw? What kind of actual criteria are you using?

Doug Kleweno, NASS

Charles Caudill said budget, and that is probably the number one constraint to increasing the sample size. Also, on repetitive surveys, we have a history of variability of our data. So, variances also play a role in arriving at some optional sample allocation. These two factors are the biggest determinates.

Rueben Buse, University of Wisconsin

If you would ask the farmer questions on his whole operation, how do you go about calculating expansion factors? I can see if you used the square, you know how many squares there are in a State. But if you start moving out in some unregulated way, how do you know how to expand that land to the universe or all farmers or however you do expand it?

Don Bay, NASS

The concept is based on the location of the operator's residence. Now, farmer C, if he resides outside of that segment, we wouldn't use him. We interview only people that reside inside there. That's why you can use all the land they operate because not all the people that farm inside the segment live there.

Lynn Forster, Ohio State University

Did I understand you to say that the area frame is just for the smaller farms, and the list frame is for the larger farms?

Doug Kleweno, NASS

The list frame is built to identify larger farming operations. Sometimes we discover, however, large farms through the area frame sample. The survey is designed for large commercial farms to be identified and sampled using the list frame. The list sample is generally the largest portion of the survey sample because it is more efficient. We use our list frame for the larger commercial operations. We may not have an operation on our list that is large, so the area frame interview would be completed. A large operator found in the area frame and not on our list can cause estimation difficulties if the report has a large expansion factor.

Lynn Forster, Ohio State University

So it is possible, not probable, farmer B could end up on the list frame and the area frame?

Doug Kleweno, NASS

That is correct. The list frame has priority over the area frame. So, if farmer B is on the list frame, any data obtained from the area frame visit would not be used.

John Lee, ERS

People surveyed in the area frame will be checked against the list to make sure that there's one and only one chance of selection. That is what NOL, not overlap with the list, means.

Lynn Forster, Ohio State University

I was wondering how, if your unit of observation was the farm, you handle non-farm income or multi-family businesses?

Jim Johnson, ERS

We collect on FCRS only the farm income earned by the farm operators and families, not other families that may be associated with the farming operation. Expenditure data are collected for the farm operation. When we get to income, focus is only on the operator and their family. There is some additional information requested on FCRS. We are concerned with the number of households associated with the farming operation. That is of particular interest for larger, more commercial operations. We deal with a portion of the farm income that includes the farm operators' household. Thus, we can develop conceptually correct estimates of the income of the farm operator household.

George Patrick, Purdue University

What type of cooperation do you get from farmers on the survey, and has there been any change over time in terms of responding to the questions, willingness to respond, and quality of response?

Doug Kleweno, NASS

Our response rates have been generally constant for the last several years. In terms of usable records for summary, it is about 73 percent. Now, that includes adjustments for screen-out, refusals, and inaccessibles. The overall refusal rate is about 17 percent, of course it varies by State.

Final Remarks

John Lee, ERS

Well, our purpose now is to permit discussion on anything we do in ERS and NASS where you might have comments, questions, and suggestions. I have a few comments I want to make too.

Charles Caudill, NASS

I want to assure you that we do need to hear from you about what data you need and what data we are now producing that you don't need -- particularly the latter.

So, do you have any questions about anything dealing with the two agencies, or the USDA in general? Data dissemination comes up quite often. If you have problems with the computerized dissemination program in the Department, we usually always carry some message back to the people in the Department that run that.

Rueben Buse, University of Wisconsin

I don't have a question. I have more of a comment. I think as daily users we in the audience here take the data too much for granted, and in my association with the American Statistical Association and the AAEEA Statistics Committee, we have to do a better job of convincing the people who are making the decisions that we need more funding to go into the statistical system if we are going to know what is going on in this country. We just use the data and complain when it's not the kind or the quality of data we need. We really fall down in talking to our legislators and the other people who are in the policy arena making decisions. We really have to support this system -- it's been deteriorating over the years -- and do anything we can to help you. I know you are always asking for new data and asking for new programs, but it seems to get cut down at the next higher level. Whatever we can do to help that process, we should be doing.

John Lee, ERS

We appreciate that. Thanks. That's very, very important. One has to be a little careful or astute, in terms of how you go about providing support because sometimes you might just be feeding ammunition to the perception of people who might be inclined to stuff statistics. I think things are much better now than they were in the early 1980's. They do now have Herman Able, who is quite serious about trying to improve the federal statistical system. But the fundamental problem with statistics is not with the Secretary of Agriculture or political people in the USDA, for example, but is basically a combination of overall budget crisis and perceptions within OMB about what the data are for.

I don't want to go into this too much, but Charlie and I have been through this, and I have watched Charlie being put on the hot seat for the past couple of years in some sessions. Some high officials are saying, "You should only collect data that we, OMB and the White House, have to have to make decisions. You don't need to collect any for any other purpose." The whole idea of data is the public good for which there is a public use. It's almost a foreign concept of a few individuals. I'd say they are not dominant in terms of numbers, but they happen to be in key positions and create a problem for us.

About the subscription service, we have switched to a private contractor for handling publication subscriptions whose continuation of the contract essentially depends on feedback we get about the quality of service that the customers get. They offer a lot more services. You can get multiple year subscriptions and pay all kinds of different ways. We think it is working better. If you feel it is not working better, the way we get them to respond is for you to complain about it.

Don Bay, NASS

If you are coming to Washington, D.C. and it happens to coincide with a Crop Production report release date, we can set up a program for you to actually come into the lockup area and see the Crop Production report released. If you're interested, or a grower organization you represent would find it informative, contact us with some lead time to reserve a date.

Charles Caudill, NASS

Work with your State Statistician on that. We have groups coming in every month to observe lockup. In fact, the popularity of this has increased from 3 or 4 of the most important report months to almost 12 months of the year. We can accommodate up to twenty-five people very easily.

DATA USERS MEETINGS
Washington, D.C.
May 8, 1990

Farm Costs and Returns Survey Sampling

David Trechter, Congressional Budget Office

Are all nonoverlap area frame names added to the list frame for the next year?

Barry Ford, NASS

To keep the area frame and list frame completely independent in order to properly measure incompleteness, no area frame information can be used to update the list frame. In practice, an area frame segment is used for 5 years before being rotated out. Also, since many farming operations are not totally contained in one segment, we must not affect the overlap status if an operation would later be picked up in another segment.

Herbert Stoevener, Virginia Polytechnic Institute and State University

Did you say that larger operations have a higher chance of being selected in samples?

Barry Ford, NASS

A physically larger operation will have more chance of being in the area frame than a smaller one because of its size. In the list sampling frame, the larger operation strata usually do have higher sampling rates because: 1) there are fewer of these operations to choose from and 2) they individually account for more of the major items of interest. However, these strata of larger operations will then have smaller expansion factors, so they will not be over expanded in the State totals.

George Smith, Department of Commerce

If the overall response rate is about 73 percent, what is the difference between the expenditures version and cost of production versions?

Doug Kleweno, NASS

The response rates are usually not significantly different. They will be within a percent or so of each other nationwide.

Steven Guebert, Farm Credit Administration

Do the expenditure version expansions change each year because of the changes in strata to accommodate the cost of production commodities?

Barry Ford, NASS

All data are weighted together for the expansions by their proportion in the original list frame so cost of production expenditures data do not get overweighted in the summary. However, one of the reasons for normally collecting some livestock and some crop cost of production data each year instead of only crops or only livestock is to minimize the year-to-year variation in the types of strata used.

Emanuel Melichar, Consultant

Is there any information available about the refusals? Are they different in terms of "healthiness" of their farming operations?

Doug Kleweno, NASS

No specific followups have been done of FCRS refusals. Studies of single purpose (like hogs) surveys has shown that refusals are more likely to have the species of interest than the average of our respondents. (If the person did not have any hogs, it would be easier to say so rather than refuse.) It is felt that the major reason for refusals, specifically in the FCRS, is the length of the interview. Thus, there may be some size of operation effect but not necessarily a "healthiness" one.

Barry Ford, NASS

The adjustments for refusals are done within each stratum, so we do not have a case of data from one stratum being used to estimate for missing data in other strata.

David Trechter, Congressional Budget Office

Do you do a post-evaluation of your strata to see if they are working properly?

Barry Ford, NASS

The cost of production list stratification usually works quite well since we normally have relatively current control data. If anything, we might find farms tend to be a bit larger than predicted.

Emanuel Melichar, Consultant

What if a farm operator refuses to answer a few questions?

Barry Ford, NASS

We find that most people who get started will answer all questions. However, some sections which have been shown to be sensitive, such as off-farm income, have been set up to be summarized separately for comparables.

Doug Kleweno, NASS

We avoid sensitivities by asking for ranges instead of absolute figures for some items.

David Trechter, Congressional Budget Office

What is being done to measure nonmonetary receipts from off-farm income such as paid health insurance?

Jim Johnson, ERS

There is no effort to measure these types of "in-kind" income.

George Smith, Department of Commerce

What has been the pattern of refusals over time?

Jim Johnson, ERS

The total level of refusals has not changed much. We are now asking more questions but we provide better training materials and publicity which has helped to stabilize rates.

Cost of Production

Emanuel Melichar, Consultant

Budget constraints have been alluded to earlier. Who is the decisionmaker who tells Jim Johnson how much money is available and what commodities to cover with the available funds?

Jim Johnson, ERS

The FCRS program is designed as a cooperative project with NASS and ERS each providing about half the funding. Some funding was received in 1976 for an annual economic survey and later funding was received for cost of production. These base funds have not been adjusted for inflation on a regular basis. With a fixed dollar total and inflation, you must either get more efficient or cut sample size. Nearly all efficiencies have been built in, so it was felt that some scheduled commodities for next year had to be cut to save sample size.

Charles Caudill, NASS

He agrees with Jim's answer. Over the past several years, NASS has had to absorb \$15 million of inflation costs.

Emanuel Melichar, Consultant

Does either Agency have any discretionary funds which could be used to beef-up FCRS?

Charles Caudill, NASS

This would require cutting back on some other program.

George Smith, Department of Commerce

If the purpose of the cost of the production program is to establish normal cost relationships, how useful are data affected by adverse weather which makes data atypical?

Jim Johnson, ERS

This is an excellent question. Oats during the drought year of 1988 would be a good example. For the enterprise cost calculations, it was necessary to take into account normal harvesting practices. We do not collect "shadow" data on what yields and costs should normally have been.

Darrell Hueth, University of Maryland

Would there be an advantage of collecting data from a longitudinal panel (such as a 5-year panel)?

Barry Ford, NASS

The longitudinal panel would be helpful for measuring change for the portion accounted for by the panel. However, the longitudinal panel by itself would not represent a full probability estimate. It would also be difficult each year to define the proper updating of stratification for the nonpanel and panel portions.

Don Bay, NASS

There might also be a response burden problem with contacts for 5 years. Until recently, a separate area frame sample for economic surveys was used. People in that frame were contacted usually every other year but sometimes 2 years in a row. Respondents did not want to see us the second year with the same long questionnaire.

Jim Johnson, ERS

ERS would like to establish a longitudinal sample as a separate feature. This has been explored as a budget initiative, but we have not been able to get it approved and funded.

Mark Elward, Statistics Canada

When drawing conclusions about items like unpaid labor is a value attached and how?

Jim Johnson, ERS

There are three procedures used to get cost estimates. Some are asked directly on interviews. Some are calculated by direct or indirect procedures. Direct procedures involve collecting quantities from FCRS and getting prices from another price series like NASS fertilizer prices. The indirect procedures collect total farm quantities such as farm overhead costs which are then prorated back to the specific enterprise. The third method is to calculate rates of returns. ERS tries to use a "risk free" approach. Find out what is used, how old it is, and how it is used, then use the 6-month treasury bill rate to calculate costs. This approach has been used to develop specific procedures for handling share rents.

Herbert Stoevener, Virginia Polytechnic Institute and State University

Would it be just as correct to use the term "cost of nonland capital?"

Jim Johnson, ERS

Yes, that is correct. There will be some changes in wording in future reports.

Richard Denison, Pennsylvania Farmers Association

Lawmakers using cost of production data do not see the total costs if costs for management are not added in. Pennsylvania is now accepting a management cost for dairy cost of production data.

Emanuel Melichar, Consultant

Would ERS give operators a higher wage rate for management?

Jim Johnson, ERS

Operator's labor is recorded by type of operation so management time is identified. At one time, an operator's salary figure was used but procedures were changed to the returns to management approach.

Emanuel Melichar, Consultant

Please clarify the procedure for real rate of return. Does it take the treasury rate minus inflation times asset value?

Jim Johnson, ERS

A 10-year moving average of returns to assets used in agriculture is used since we want to relate to agriculture, not all investment alternatives. This usually runs about 4 percent.

Emanuel Melichar, Consultant

Is cost of replacements based on actual replacements?

Jim Johnson, ERS

No, ERS works from the present stock of machinery and age and figures the cost of replacement.

Emanuel Melichar, Consultant

Some operators take better care of equipment, so it will last longer. Others are very hard on machinery. This does not seem to relate to actual practices.

Jim Johnson, ERS

This approach works well for the national and regional averages. ERS does also collect the depreciation charges that farmers use in their total farm budget section but that figure is just what farmers tell us.

Loren Tauer, Cornell University

Why are taxes and insurance brought in as external information?

Jim Johnson, ERS

We have found that we get better information by asking for total tax and insurance payments and allocating them to enterprises rather than asking for enterprise estimates.

Dean Chen, Texas A&M University

Researchers and analysts often need data on costs of production and rates of return for program participants and nonparticipants. Will there be a move towards providing such summaries?

Jim Johnson, ERS

Yes, ERS is now moving in that direction but slowly since it will take a full cycle of all cost of production commodities to develop a full set of data.

John Lee, ERS

The ERS focus will be on effects of Government programs, not just in participant/nonparticipant summaries.

Farm Income

Emanuel Melichar, Consultant

Is there any conclusion on the effect of changes in definitions and procedures?

Jim Johnson, ERS

Many of the changes may have a greater effect on gross income than net income.

George Smith, Department of Commerce

How does ERS rectify differences between Census and FCRS data in determining correct benchmarks?

Roger Strickland, ERS

ERS starts off with the view of accepting Census data unless there is strong evidence of data problems. One example of departing from the 1987 Census data was for poultry feed expenses.

Land Values and Productivity

Herbert Stoevener, Virginia Polytechnic Institute and State University

How does the quality adjustment procedure actually work for dairy cows of different ages?

Eldon Ball, ERS

The first step is to look at age/productivity relationships. Then culling rate functions are applied. The "vintage" effect of quality improvements is then taken care of by an index adjustment (a 1990 cow might have an index of 1.2 compared to a 1980 cow of 1.0).

David Trechter, Congressional Budget Office

Do all productivity data come from the Agricultural Research Service type experiments?

Eldon Ball, ERS

No, for dairy there are considerable data available since meticulous data are kept for dairy herd improvement programs. There are no such data for such areas as beef cow herds, so experimental trial data may need to be used.

Emanuel Melichar, Consultant

Why can't the average milk per cow (productivity) and average price per cow (value) be used directly?

Eldon Ball, ERS

ERS feels that this detailed examination approach will provide a better data set for answering "what if" questions rather than having only average data available.

Chris Boessen, Equitable Agri-Business, Inc.

Why are current data on an 11-month (February 1, 1989, to January 1, 1990) basis?

Fred Kuchler, ERS

The Ag Land values series is being shifted to a calendar year basis to be more comparable to other economic data series. To make the change, one 11-month "year" was needed.

Chris Boessen, Equitable Agri-Business, Inc.

Will there be any additional interpretation of State level data?

Fred Kuchler, ERS

There will not be much more information released since this survey comes from a list sample only, not a full probability survey.

Mitch Morehart, ERS

Has there been consideration of any other descriptive statistics such as the median?

Fred Kuchler, ERS

No, that has not been considered. Since individual opinions are requested, the median might not be as meaningful as it would be if actual sales data were available. Individuals are asked for the value for four different types of land rather than one overall average. Those values are then applied to the mix of land types in the State.

One change that has been made is to use the interquartile range as a guide to setting editing limits.

John Lee, ERS

Land values are some of the most heavily used statistics but one of the most difficult to determine correctly. It seems like use of actual sales would be a good approach but it is important to know if a particular sale is a true open market sale or is at a special level because of a within family transaction. Also, the mix of types of land sold varies from year-to-year which affects the sales average. Thus, ERS feels that the approach of asking the same questions each year is a reasonable one. How does the Farm Credit System evaluate land?

Marvin Duncan, Farm Credit Administration

A series of benchmark farms is used to determine current values by farm credit districts.

Emanuel Melichar, Consultant

To adjust to the new Census level, were comparisons made with other sources of data in determining how to make the year-to-year adjustments between 1982 and 1987?

Fred Kuchler, ERS

Other series were examined but there did not seem to be enough consistency to give any strong directions. Most available series are still opinion surveys of different populations.

Emanuel Melichar, Consultant

If the USDA index was consistent with some of the other series before 1982, but was not for later years, that might indicate where more adjustments are needed.

Loren Tauer, Cornell University

One bias that occurs in land values is that a number of noncash transactions occur in fringe development areas. Are actual transactions obtained on the broker's survey?

Fred Kuchler, ERS

Yes, actual transaction data are received and these are evaluated as "with buildings" and "without buildings" sales. These data do look comparable with the main ERS survey.

Chris Boessen, Equitable Agri-Business, Inc.

Are the value questions on the FCRS comparable? He thought he had seen some FCRS numbers (or some economic indicators report) indicating up to 50 percent changes in land values when official series showed only single digit changes.

Mitch Morehart, ERS

A large difference might occur with FCRS data. These data are not screened to eliminate any extreme data which might be reported.

Jim Johnson, ERS

How good does Bud Pautler consider the quality of the Ag. Census value of land in farms and buildings to be?

Bud Pautler, Bureau of the Census

The value of land statistic has one of the largest coefficients of variation of any Ag. Census item. They also get some answers of "no land has sold, so I don't know."

Darrell Hueth, University of Maryland

Does the Ag. Census question take into account development value?

Bud Pautler, Bureau of the Census

The answer is whatever the operator thinks the unit is worth. It also should be realized that this is a question on only a sample of questionnaires (about 1 in 6) and is not answered by everyone.

Emanuel Melichar, Consultant

Do ERS cash rent values get adjusted after Census data come out since there is no comparable Census question?

Fred Kuchler, ERS

No adjustment is made since there are no new data.

Bud Pautler, Bureau of the Census

Another point he wanted to mention is that there could be a difference between NASS data and Census data since the Census should have more small farms and many of them may be near urban locations.

Farm Balance Sheet

George Smith, Department of Commerce

The balance sheet estimate of crops is limited to stocks on farms. Has USDA ever looked at ownership of off-farm stocks?

Duane Hacklander, ERS

On the FCRS the last 2 years, a question was added on percent of total grain owned that is located off the farm.

Emanuel Melichar, Consultant

Is there any hope of breaking out assets into more details such as mutual funds, credit unions, etc?

Duane Hacklander, ERS

The Agricultural Economics and Land Ownership Survey (AELOS) may give some clues and new analyses of FCRS data may suggest some possibilities.

Jim Johnson, ERS

ERS does hope to get more publishable data on assets and ownership. We know that many assets used may be owned by landlords and others but are often treated as owned assets.

Emanuel Melichar, Consultant

Would "other financial assets" be for the whole household?

Jim Johnson, ERS

ERS can pick up assets for the operator's household, but there is no vehicle for other households on the farming operation, such as partners.

Emanuel Melichar, Consultant

If most users really use the "excluding household" data perhaps ERS should not worry about better data on the household side for very small farms.

Herbert Stoevener, Virginia Polytechnic Institute and State University

With all of the rural issues coming up he thinks it is important to expand the amount of rural household data.

Jim Johnson, ERS

The FCRS does try to serve both agricultural and farm household needs at the same time.

Emanuel Melichar, Consultant

The FCRS does not cover all rural areas, only the "farm" portion.

John Lee, ERS

ERS would like to cover all rural data issues but has not been able to garner the resources. They will keep fighting for funding.

Prices Paid, Prices Received, and Parity

Emanuel Melichar, Consultant

Are the index weights still effective since there has been such an increase in poultry production?

Fred Thorp, NASS

The weights have not shifted as much as might be expected although it would be good to update.

George Smith, Department of Commerce

Reference was made to the 1971-73 expenditure survey as the source of weights for the last index update. Would it be possible to use FCRS data as a source of new weights?

Fred Thorp, NASS

The FCRS will be the major source of weights in the future. This has been examined in the past several years for a suitable new base period. USDA did not want to use as the base period the high energy price years or the "farm crisis" years. The past couple years have been more suitable but there have been too many other projects.

Closing Statements

Charles Caudill, NASS

I want to thank everyone for their participation. Remember that additional statements can be submitted "for the record." I want to comment that no one today has helped me by identifying any items which can be discontinued so that we can provide improved service in other areas.

John Lee, ERS

There are a few additional comments that should be made about present and near future ERS procedures.

1. Data users need to realize that it is difficult to revise a current data series and to smooth in necessary adjustments. Users sometimes need to step back and evaluate the quality of data series.
2. It is important to understand the purposes for which a data series is constructed. It would be ideal to be able to build data sets which could be disassembled and reassembled in other fashions. ERS would like to do that but it often would require too many resources.
3. ERS is striving to make data sets more readily available. They will explore electronic bulletin boards as one technique. Similarly, they are looking for ways to keep the statistical handbook series up-to-date. They are considering a publication on all electronic indicators prepared and published in ERS. They are also trying to set up policies for access to confidential data and procedures for uses.
4. The food safety & water quality initiatives will create large amounts of data on pesticides and such things as human risks from chemicals in food. These data may allow the formation of a large multiple use pesticide data base.
5. ERS would like to start a series which calculates "value added" measures from production to retail.

Dean Chen, Texas A&M University

At an earlier data users meeting, I identified historic information series as an important data need. I am glad that ERS is now issuing more yearbooks for particular data. It still is difficult to reconcile calendar year, fiscal year, and crop year data series and definitions. A good data series should reconcile all data to a comparable basis. I think I recently saw two different figures for cotton deficiency price in the same publication. I suggest adding data dissemination as a major topic for future data users meetings.

John Lee, ERS

ERS and, I am sure, BEA have similar struggles with crop year versus calendar year data and with interpretation of data from organizations like ASCS.

Steven Guebert, Farm Credit Administration

The differences in the cotton deficiency data might have been projected versus final deficiency.

Jim Johnson, ERS

ERS buys all ASCS farm program data tapes and derives the government program totals needed for the economic indicators series rather than depending upon publications.

John Lee, ERS

NASS and ERS continually push USDA for progress on data dissemination. Things must be coordinated; we can not develop separate systems.

Darrell Hueth, University of Maryland

He has received good support from ERS and NASS; it is often helpful to be located close to the main offices. He does not find too many problems with present data dissemination. He wants to repeat his suggestion of a longitudinal data approach for FCRS.

John Lee, ERS

A longitudinal FCRS might be a new challenge to data collection. It might be necessary to pay respondents.

Don Bay, NASS

Once a person is paid for one survey like FCRS they might not cooperate for free on other surveys.

Jim Johnson, ERS

As a respondent reward this year some 11,000 separate farm analyses will be prepared for FCRS respondents.

Don Bay, NASS

If a longitudinal approach would be used, it might not be necessary to ask all questions each year.

Darrell Hueth, University of Maryland

The University of Maryland started a rental value survey last year. The first contact required 476 face-to-face interviews. Updates can now be done by telephone. This rental value concept might be a better indication of true value than to survey "market values."

Chris Boessen, Equitable Agri-Business, Inc.

Fred Kuchler indicated that he would be concerned about releasing more descriptive statistics since they might be misused. They are probably already misused so perhaps ERS should take a chance and release more characteristics.

John Lee, ERS

This can be considered even though this is not a probability selected data set.

Herbert Stoevener, Virginia Polytechnic Institute and State University

The economic role of horses is very important in Virginia. There must be other areas where horses are more important than traditional agricultural commodities.

Charles Caudill, NASS

NASS has done a number of equine surveys where State governments will pay for them. Tennessee now has an appropriation for horse surveys every 2 years. New Jersey contributed \$140,000 for its last survey.

John Lee, ERS

Horses provide some interesting definitional challenges since raising them is agricultural but many of the uses of them are nonfarm.

Herbert Stoevener, University of Maryland

Many people's incomes come from showing horses or riding lessons which are services instead of agricultural activities.

Darrell Hueth, University of Maryland

There are many horse industries including jumping, showing, rest and rehabilitation of race horses, breeding, etc.

**Participants at Kansas City, Missouri Data Users Meetings
May 2, 1990**

Sue Buhler
USDA-AMS
Washington, D.C.

Gary Calfee
Farmers Home Administration
Columbia, Missouri

Don Close
Pioneer Hi-Bred
Des Moines, Iowa

Robert Coats
University of Arkansas
Little Rock, Arkansas

Bruce Dixon
University of Arkansas
Fayetteville, Arkansas

Charles Dodson
Texas Tech University
Lubbock, Texas

Richard Fenwick
CoBank
Denver, Colorado

Dillon Feuz
South Dakota State University
Brookings, South Dakota

Glen Grimes
National Pork Producers Council
Des Moines, Iowa

Norlin Hein
University of Missouri
Columbia, Missouri

Terry Hickenbotham
USDA-ASCS
Washington, D.C.

John Hugenberg
Mid-American Dairymen
Springfield, Missouri

Paul Justis
Doane Information Services
St. Louis, Missouri

Gary Keathley
Arkansas Farm Bureau
Little Rock, Arkansas

Fred Light
U.S. General Accounting Office
Topeka, Kansas

Patsy Marcum
University of Missouri
Columbia, Missouri

Brian McManus
Louisiana State University
Baton Rouge, Louisiana

John Mittleider
North Dakota Barley Council
Fargo, North Dakota

Tom Morgan
Sterling Research Corporation
Arlington Heights, Illinois

Renne Nance
Mid-American Dairymen
Springfield, Missouri

John Otte
Farm Progress Publications
West Des Moines, Iowa

Donald Peterson
South Dakota State University
Brookings, South Dakota

Mike Sands
Western Livestock Marketing
Lakewood, Colorado

Jerry Saylor
John Deere & Company
Moline, Illinois

L. D. Schnake
USDA-FCIC
Kansas City, Missouri

Randell Smith
Riceland Foods
Stuttgart, Arkansas

Howard Tice
Kansas Association of Wheat Growers
Wichita, Kansas

Joe Trujillo
University of Missouri
Columbia, Missouri

Bill Turrentine
Cost of Production Board
Garden City, Kansas

Morris Westfall
USDA-ASCS
Columbia, Missouri

Bruce Wendland
USDA-FCIC
Kansas City, Missouri

Bob Whitaker
USDA-AMS
Kansas City, Missouri

**Participants at Indianapolis, Indiana Data Users Meetings
May 3, 1990**

Walter Albers
National Farmers Organization
Minster, Ohio

Merlin Anderson
Growmark, Inc.
Bloomington, Illinois

Phillip Anderson
Indiana Corn Growers Association
Indianapolis, Indiana

Peter Barry
University of Illinois
Urbana, Illinois

Rueben Buse
University of Wisconsin
Madison, Wisconsin

Jim Charlesworth
Growmark, Inc.
Bloomington, Indiana

Anne Cook
News Gazette
Champaign, Illinois

Lawrence Dorrell
Indiana Farmers Union
Indianapolis, Indiana

Howard Doster
Purdue University
West Lafayette, Indiana

Morris Doyle
Indiana Farmers Union
Indianapolis, Indiana

Phil Eberle
Southern Illinois University
Carbondale, Illinois

Joseph Edwards
Indiana Farm Bureau, Inc.
Indianapolis, Indiana

Lynn Forster
Ohio State University
Columbus, Ohio

Bob Jones
Purdue University
West Lafayette, Indiana

Maurice Klein
Ohio State University
Columbus, Ohio

Allen Lines
Ohio State University
Columbus, Ohio

Marshall Martin
Purdue University
West Lafayette, Indiana

Steven Maurer
Ohio Department of Agriculture
Columbus, Ohio

George Patrick
Purdue University
West Lafayette, Indiana

Tracy Petersen
Indiana Pork Producers Association
Indianapolis, Indiana

Dave Petritz
Purdue University
West Lafayette, Indiana

John Poenisch
USDA-SCS
Indianapolis, Indiana

Ross Riggs
Indiana Farm Bureau
Indianapolis, Indiana

Lee Schrader
Purdue University
West Lafayette, Indiana

Robert Thompson
Purdue University
West Lafayette, Indiana

Wally Tyner
Purdue University
West Lafayette, Indiana

Claude Thorp
Thorp Seed Company
Crawfordsville, Indiana

Donald Villwock
USDA-ASCS
Indianapolis, Indiana

Laura Wilson
Indiana Bankers Association
Indianapolis, Indiana

Robert Zimmer
Associated Press
Champaign, Illinois

**Participants at Washington, D.C. Data Users Meeting
May 8, 1990**

Richard Bieker
Delaware State College
Dover, Delaware

Chris Boessen
Equitable Agri-Business, Inc.
Atlanta, Georgia

Robert Brown
Department of Commerce
Washington, D.C.

Dean Chen
Texas A&M University
College Station, Texas

Richard Denison
Pennsylvania Farmers Association
Camp Hill, Pennsylvania

Marvin Duncan
Farm Credit Administration
McLean, Virginia

Carl Ek
Library of Congress
Washington, D.C.

Mark Elward
Statistics Canada
Ottawa, Ontario

Steven Guebert
Farm Credit Administration
McLean, Virginia

Lynn Hazen
Bureau of Economic Analysis
Washington, D.C.

Darrell Hueth
Department of Agriculture
College Park, Maryland

Remy Jurenas
Library of Congress
Washington, D.C.

Alan Kemper
National Corn Growers Association
Washington, D.C.

Emanuel Melichar
Consultant
Falls Church, Virginia

Charles Pautler, Jr.
Bureau of the Census
Washington, D.C.

George Smith
Department of Commerce
Washington, D.C.

Herbert Stoevener
Virginia Polytechnic Institute
and State University
Blacksburg, Virginia

Loren Tauer
Cornell University
Ithaca, New York

David Trechter
Congressional Budget Office
Washington, D.C.

Jim Zavrel
Department of Commerce
Washington, D.C.

USDA HEADQUARTERS STAFF AT 1990 DATA USERS MEETINGS

<u>PERSON</u>	<u>AGENCY</u>	<u>MEETINGS ATTENDED 1/</u>
Rich Allen	National Agricultural Statistics Service	3
Eldon Ball	Economic Research Service	1, 2, 3
Don Bay	National Agricultural Statistics Service	1, 2, 3
Charles Caudill	National Agricultural Statistics Service	1, 2, 3
Terry Crawford	Economic Research Service	3
Jim Donald	World Agricultural Outlook Board	3
Linda Farmer	Economic Research Service	3
Barry Ford	National Agricultural Statistics Service	3
Bruce Gardner	Assistant Secretary for Economics	3
Ron Gustafson	Economic Research Service	1
Duane Hacklander	Economic Research Service	1, 2, 3
Greg Hanson	Economic Research Service	3
Jim Horsfield	Economic Research Service	3
Allen Johnson	Economic Research Service	1, 2
Jim Johnson	Economic Research Service	1, 2, 3
Doug Kleweno	National Agricultural Statistics Service	1, 2, 3
Fred Kuchler	Economic Research Service	1, 2, 3
John Lee	Economic Research Service	1, 2, 3
Mitchell Morehart	Economic Research Service	1, 2, 3
Jim Nix	World Agricultural Outlook Board	1
Ed Reinsel	Economic Research Service	3
Bob Robinson	Economic Research Service	1
Roger Strickland	Economic Research Service	3
Fred Thorp	National Agricultural Statistics Service	1, 2, 3

1/ Meetings were: (1) Kansas City, (2) Indianapolis, (3) Washington, D.C.

THE COUNCIL FOR BURLEY TOBACCO, INC.

606 252-6076

BANK ONE PLAZA
LEXINGTON, KENTUCKY 40507

SUITE 3E, Box 20
200 WEST VINE STREET

April 24, 1990

Mr. Charles E. Caudill
Administrator
USDA/NASS
Room 4117 South Bldg.
Washington, D.C. 20250

Dear Mr. Caudill:

Thank you for the invitation to participate in the May 8, meeting regarding USDA's economic reports. Scheduling will not permit our attendance and we would like to submit the following comments.

Burley tobacco is Kentucky's number one crop with a value to Kentucky farmers of 600 million dollars. Kentucky produces two-thirds of the Nation's burley and ranks 2nd to North Carolina in total tobacco production. There are over 150,000 Kentuckians with burley quotas and burley is the number one source of income for many of our 96,000 farms.

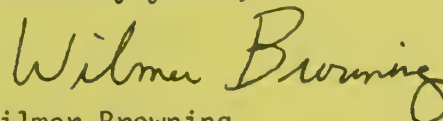
The Council for Burley Tobacco, Inc. works closely with the Kentucky Agricultural Statistics Service. The Council was very supportive of a recently completed survey on cost of production for burley tobacco. We know these numbers will be vitally important in establishing future burley price levels. There was a special interest in the labor data gathered from this survey. We commend your agency and ERS for developing these cost of production statistics.

Burley supply is a concern as production has been below the poundage quotas, and use has been exceeding domestic production.

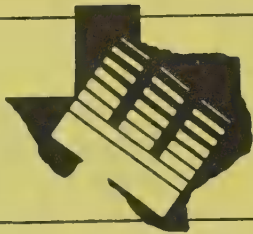
The Council for Burley Tobacco, Inc. encourages NASS support and proper funding to provide the best possible forecast estimates. The burley industry felt the negative effect of having no burley objective yield indications in Kentucky for the 1989 crop. The tobacco industry needs a level of reliability equal to other major commodities.

The Council for Burley Tobacco, Inc. has confidence in statistics generated by the Kentucky Agricultural Statistics Service and NASS. We look forward to a continual favorable working relationship.

Sincerely yours,



Wilmer Browning
Executive Director



**Texas
Agricultural
Extension
Service**

The Texas A&M University System

*Department of Agricultural Economics
Room 107, Agriculture Bldg.
College Station, Texas 77843-2124*

May 2, 1990

MEMORANDUM TO: *Charles E. Caudill
John E. Lee, Jr.*

SUBJECT: *USDA's Economic Statistics Reports*

I regret that I am unable to attend either the May 2 or May 8 meetings regarding USDA's economic statistics reports because of limited travel funds.

We continue to use and rely heavily upon USDA statistics for agricultural prices and economic indicators. Timeliness, accuracy and as much regional data as possible are useful. Annual subscriptions are still hard to maintain.

Right now I can not locate anyone that can tell me how to order a Fact Book of Agriculture published by USDA.

We appreciate your leadership and the data available considering the limited budgets.

Sincerely,

*Carl G. Anderson
Extension Economist-Cotton Marketing*

*CGA:css
cc: Dennis Findley*



**Farm Credit Bank of Springfield
Springfield Bank for Cooperatives**

Post Office Box 141
Springfield, Massachusetts 01102
413/786-7600

May 10, 1990

Mr. Charles E. Caudill, Administrator
USDA/NASS
Room 4117 South Building
Washington, DC 20250

Dear Mr. Caudill:

The purpose of this letter is to provide some input regarding USDA's economic statistics reports.

We in the Springfield Farm Credit District have an extensive business research program to support our farm lending and financial services activities. USDA data is one very important source of data and information to this program. We subscribe to many of your reports that relate to Northeast agriculture.

We recognize that our agriculture is relatively small by national standards and that we have a number of relatively small states within the Northeast. This often means USDA data for our region may be fairly well-aggregated and/or based on fairly small samples that preclude much detailed analysis. I raise this issue only because it sometimes limits what we can do with certain statistics, even though I recognize that your objectives are more nationally oriented. Aggregation of the New England states is usually no problem from our standpoint. However, use of the USDA "Northeast" region for aggregation results in difficulty since approximately half of its agriculture is in the Baltimore Farm Credit District.

The structure of our agriculture has shifted rapidly in the late 1980s. The green industries (nursery and greenhouse), roadside stands, and specialty forms of agriculture have grown rapidly while more traditional farm industries such as dairy, grain, and processing vegetables have shrunk. To illustrate, the green industries are now our District's second largest source of loan volume after dairy. Anything that your programs can do to provide more statistics regarding these emerging Northeast farm industries would be greatly appreciated.

Our District does an annual farm business summary of the dairy industry based on the actual accounting records of over 500 dairy farms. Over the years, I have observed that the cost of milk production from our studies is somewhat higher than that published by USDA in its "Cost of Production" reports. Because policymakers do look at cost of production, this is an issue that you may wish to explore further.

Mr. Charles E. Caudill

Page 2

May 10, 1990

The final concern that I would like to share is in regard to your farm debt outstanding series by state as published in your "Economic Indicators of the Farming Sector." There are a number of money center banks in both New York City and Boston that have extensive farm loan portfolios--most of it to farmers in other states or perhaps other countries. However, your farm debt series reports these loans based on the state in which the bank is located, not the state in which the loans are located. Because of the large portfolios of these banks and the relatively small agricultural bases in these two states, this substantially skews the farm debt numbers in these series.

Thanks for the opportunity to provide input to your program. Like most of our profession, we take USDA's statistical program for granted. We do rely on it, however, and appreciate the efforts of the hundreds of people in USDA and the thousands of farmers who make this excellent data base possible.

Sincerely,



James N. Putnam II

Vice President

Director of Business Research

JNP/plr

cc: Roger Allbee

Paul Maihan, Baltimore Bank

Don Cherrie, Louisville Bank



United States
Department of
Agriculture

National
Agricultural
Statistics Service

Washington, D.C.
20250-2000



May 18, 1990

Mr. James N. Putnam II
Vice President, Director of Business Research
Farm Credit Bank of Springfield
Springfield Bank for Cooperatives
Post Office Box 141
Springfield, Massachusetts 01102

Dear Mr. Putnam:

Thank you for your letter about USDA's economic statistics reports. Your letter will be included in the summary of this year's Data Users Meetings which you will receive when it is published.

As you will see in the summary, your comments and concerns are right in line with questions and discussion at the meetings. The fact that data for several States often have to be aggregated together because of small sample sizes does limit many kinds of analyses. However, this situation does not have much promise for improvement. The original funding for an annual economic survey and the later funding for cost of production surveys have not been adjusted for inflation. As the National Agricultural Statistics Service (NASS) and the Economic Research Service (ERS) have had to absorb the inflationary costs, we have introduced all the efficiencies that we could. No more can be done with efficiency of data collection and processing, and it appears that the number of cost of production commodities will need to be cut back in future years to salvage the present sample sizes for the expenditure data.

NASS would like to provide better information on specialty commodities (nursery, greenhouses, fruits, vegetables, etc.) and have prepared budget initiatives which we have not been able to get through the funding process. There may be the possibility of creating some additional data products in the next few years if the present Presidential and USDA initiatives on water quality and food safety are funded. Another possibility for additional data may come from the efforts to establish a permanent disaster program which would include nursery items as well as row and small grain crops.

I have given a copy of your letter to Jim Johnson of ERS who heads up all of the economic indicators publications. He may have some specific comments on your cost of production and farm debt questions. I felt that the interchanges at the Data Users Meetings were helpful in explaining why ERS uses certain definitions and how other individuals can interpret ERS data in light of different assumptions about returns to management or capital.

Again, thank you for your input. I particularly appreciate your acknowledgement of the USDA employees and farmers who do provide better agricultural information than is available anywhere else in the world.

Sincerely,

CHARLES E. CAUDILL
Administrator



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